

A free translation of the original in Portuguese

PROPOSAL BY MANAGEMENT AND

ORIENTATION FOR PARTICIPATION IN THE OGM AND EGM OF APRIL 23, 2018

Grendene[®]

LISTED COMPANY

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1. Invitation

Dear Stockholders,

Grendene S.A. ('the Company') has pleasure in inviting you to participate in the Ordinary (Annual) and Extraordinary General Meetings of Stockholders to be held at 9 a.m. on April 23, 2018, at the Head Office, at Avenida Pimentel Gomes 214, Expectativa, Sobral, Ceará, Brazil.

The Company's management hereby presents the Proposal and Orientation for Participation, to provide information to you on the decisions to be taken, which are listed in the Convocation Notice published in the newspapers *Diário Oficial of the State of Ceará* and *O Povo*, which have been filed at the Company's head office, and also published on the websites of: the CVM (Brazilian Securities Commission) (<http://www.cvm.gov.br>); B3 (the São Paulo Stock Exchange) (<http://www.b3.com.br>); and its Investor Relations (<http://ri.grendene.com.br>).

Sobral, Ceará, Brazil, March 23, 2018.

Alexandre Grendene Bartelle
Chair of the Board of Directors

2. Convocation Notice

Ordinary and Extraordinary General Meeting of Stockholders

We invite stockholders of this company to Ordinary and Extraordinary General Meeting, to be held on April 23, 2018, at 9 a.m. at the Company's head office, Avenida Pimentel Gomes 214, in the city of Sobral, State of Ceará, Brazil, to decide on the following Agenda:

I – In Ordinary (Annual) General Meeting

1. To approve the accounts of the managers and the financial statements for the business year ended December 31, 2017.
2. To decide on the proposal for allocation of net profit for the business year ended December 31, 2017.
3. To define the number of members that will comprise the Board of Directors.
4. To elect the members of the Board of Directors.
5. To set the global remuneration of the managers, in accordance with Clause 14 of the Bylaws.

II – In Extraordinary General Meeting

1. To decide the split of the common shares issued by the Company: each common share to become 3 (three) shares, in accordance with the proposal made by the Company's management bodies.
2. To change the head paragraphs of Clauses 5 and 6 of the Company's By-laws as a result of the decision on the agenda above.

General information:

The Company hereby gives notice that it will use the remote voting procedure, in accordance with CVM Instruction 481/09. Any stockholder who wishes to do so may opt to exercise the right to vote through the remote voting system, under CVM Instruction 481/09, by sending the corresponding Remote Voting Statement (*Boletim de Voto à Distância*, or BVD), through the stockholder's custody agent, or mandated bank; or directly to the Company, as per the orientation contained in the Proposal of Management and Orientation for Participation in the Ordinary and Extraordinary General Meetings of the Company.

To take part in person and vote at the General Meeting, the stockholder should prove status by presenting, by 5 p.m. on April 20, 2018, an identity document and proof issued by the depositary institution confirming the stockholder's position, by original or copy sent by fax, to the number 0XX-54-2109-9991 and/or computer copy by email to dri@grendene.com.br. Stockholders represented by proxies holding power of attorney should present the powers of attorney by that same time limit, and by the same means. The originals of the above-mentioned documents, or their copies, must be exhibited (authentication and recognition of signature being dispensed with) to the Company by the moment of opening of the related General Meeting (Article 10 of the By-laws).

Under CVM Instruction 481/09 (Article 5, Paragraph 2), any stockholder who attends the meeting holding the documents required may take part in it and vote even if that stockholder has not previously deposited their documents.

In compliance with CVM Instruction 165 of December 11, 1991, as amended by CVM Instruction 282 of June 26, 1998, we advise stockholders that the minimum percentage holding in the Company's capital required for a demand to use the multiple vote for the election of members of the Board of Directors is 5% (five percent).

The Proposal by Management and Orientation for Participation in the Ordinary and Extraordinary General Meetings, as specified by CVM Instruction 481/09, and the related documents, are available to stockholders at the Company's head office and on the following websites: CVM (Brazilian Securities Commission) (<http://www.cvm.gov.br>); BB3 (São Paulo Stock Exchange) (<http://www.b3.com.br>); and the Investor Relations of Grendene (<http://ri.grendene.com.br>).

Sobral, Ceará, Brazil, March 23, 2018.

Alexandre Grendene Bartelle
Chair of the Board of Directors

3. Explanation and Orientation

This document contains information on the matters to be decided, upon Proposal by Management, and the explanations necessary for participation by stockholders in the Ordinary and Extraordinary General Meetings of Stockholders of Grendene S.A. ('Grendene') to be held on April 23, 2018.

The aim is to reconcile the practices adopted by the Company of opportune and transparent communication with its stockholders and the requirements of Law 6404 of December 15, 1976 ('the Corporate Law') and CVM Instruction 481 of December 17, 2009 ('CVM Instruction 481').

In compliance with requirements in the Corporate Law, we hereby notify you that: Grendene will hold the Ordinary and Extraordinary General Meetings of Stockholders on:

Date: April 23, 2018

Location: Avenida Pimentel Gomes 214, Expectativa, Sobral, Ceará, Brazil.

Time: 9 a.m.

The information on each one of the matters before the Ordinary and Extraordinary General Meetings is given in detail in Items 5.1 and 5.2 of this document.

4. Participation in the Ordinary (Annual) and Extraordinary General Meetings of Stockholders

Participation by stockholders may be in person, or by duly constituted proxy, or by sending of the Remote Voting Form, in accordance with CVM Instruction 481.

For the stockholder to participate, presentation of the original or a copy of the following documents will be required:

For individuals:

- I. Identity document with a photograph of the stockholder or, as the case may be, an identity document with a photograph of the stockholder's proxy and the related power of attorney.
- II. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or by CBLC (*Companhia Brasileira de Liquidação e Custódia* – Brazilian Settlement and Custody Company), of the shares held, stating the corresponding equity position.

For legal entities:

- I. Latest or consolidated Articles of Association or By-laws, and corporate documents proving the legal representation of the stockholder;
- II. Identity document with photo of the legal representative.
- III. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or CBLC (Brazilian Settlement and Custody Company), of the shares held, stating the corresponding equity position.

For investment funds:

- I. Last consolidated regulations of the fund.
- II. By-Laws or Articles of Association of the Fund's administrator or manager, as the case may be, in accordance with the fund's voting policy, and corporate documents proving the powers of representation.
- III. Identity document with photo of the legal representative.
- IV. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or CBLC (Brazilian Settlement Custody Company), of the shares held, stating the corresponding equity position.

Note: The Company will not require a sworn translation of documents that have been originally issued in the Portuguese or English language which come accompanied by the respective translation in those languages. The following identity documents will be accepted, provided they have a photograph: RG, RNE, CNH, Passport or Identity Card issued by one of the officially recognized professional groups.

4.1. Orientation for participation in person

Stockholders who wish to participate personally in the Ordinary and Extraordinary General Meetings of the Company are requested kindly to attend at Avenida Pimentel Gomes 214, Expectativa, Sobral, in the State of Ceará, Brazil, on April 23, 2018, as from 9:00 a.m., carrying the above documents.

4.2. Orientation for participation by use of the Remote Voting Form

The Company will make available the remote voting system established by Article 21-A of CVM Instruction 481.

For this purpose, as from today's date stockholders may send their instructions for voting in relation to the matters on the meeting's Agenda:

- I. By instructions for filling of the form transmitted to their custody agents that provide this service, in the case of holders of shares deposited in a share deposit center;

- II. By instructions for filling of the form transmitted to the bookkeeping entity for the Company's shares, Itaú Corretora de Valores S.A., in the case of holders of shares deposited with the bookkeeping entity; and
- III. By Remote Voting Form sent directly to the Company, at the following address: Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Departament.

If there is a difference between any remote voting form received directly by the Company and a voting instruction contained in the consolidated voting map sent by the bookkeeping entity in relation to the same CPF or CNPJ number, the voting instruction contained in the voting map of the bookkeeping entity shall prevail, and the remote voting form received directly by the Company shall be ignored.

During the voting period, the stockholder may alter his/her voting instruction as many times as the stockholder deems necessary, and the instruction obeyed on the Company's voting spreadsheet shall be the one most recently presented.

Once the voting period is over, the stockholder may no longer alter voting instructions already sent: a stockholder wishing to change their vote must then participate personally in the General Meeting, carrying the documents required as per the table above, and request that the voting instructions sent by remote voting form be left out of account.

4.2.1. Sending of the ballot by the stockholder directly to the Company

Any stockholder opting to exercise the right of remote voting may also, alternatively, do so directly to the Company, by sending the following documents to Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department:

- (a) Physical copy of the Remote Voting Form duly filled in, initialed and signed; and
- (b) Copy of the documents described in Item 4 above.

A stockholder wishing to do so may also send the computer copies of the documents referred to in (a) and (b) above to the email address dri@grendene.com.br. In this case it is also necessary to send the original copy of the remote voting form, and the copies of the other documents required, to Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department.

Once the documents referred to in (a) and (b) above have been received, the Company will advise the stockholder of their receipt, and acceptance or otherwise, in accordance with CVM Instruction 481.

If the voting form is sent directly to the Company, and is not completely filled in or does not arrive accompanied by the documents of proof described in item (b) above, it will be left out of account and this information will be sent to the stockholder at the email address indicated in Item 3 of the Remote Voting Form.

The documents referred to in (a) and (b) above must be delivered (with proof of receipt) at the Company a minimum of 7 days prior to the date of the Ordinary and Extraordinary General Meeting, that is to say by April 17, 2018 (inclusive). Any remote voting forms received by the Company after that date will be left out of account.

The Company has not implemented the electronic system for receipt of a remote voting or remote participation.

4.3. Orientations for participating through a proxy holding power of attorney

Powers of Attorney should be given in the traditional form, by a physical instrument. Stockholders that are individuals may be represented, under Article 126, §1, of the Corporate Law by a person holding power of attorney given less than 1 (one) year previously, who may be (i) a stockholder, (ii) a lawyer, (iii) a financial institution or (iv) a manager of the Company.

For stockholders that are legal entities, in accordance with Committee Decision of the CVM at its meeting held on November 4, 2014 (CVM RJ2014/3578), the Company will not require that the person holding Power of Attorney is (i) a stockholder, (ii) a lawyer, (iii) a financial institution or (iv) a manager of the Company – the stockholder must be represented in accordance with the company documents of constitution.

4.4. Prior accreditation to take part in person

The documents referred to in Item 4 may be delivered at the head office of Grendene by the time of start of the General Meeting.

However, to facilitate stockholders' access to the General Meetings, we request the presentation of those documents the longest possible time in advance, or up to 5 p.m. on April 20, 2018, by original or copy by fax to the number 0XX-54-2109-9991 and/or computer copy to the email dri@grendene.com.br, or sent physically to the head office at Avenida Pimentel Gomes 214, Expectativa, 62040-050, Sobral, Ceará, Brazil, c/o: Investor Relations Department.

5. Proposal by Management

Grendene's Management submits the following proposals to the Ordinary and Extraordinary General Meetings of Stockholders to be held on April 23, 2018.

5.1. Matters to be decided at the Ordinary General Meeting of Grendene

This Ordinary General Meeting has been called for the purpose of deciding on:

- (i) The accounts of the managers and the financial statements for the business year ended December 31, 2017.
- (ii) Allocation of net profit for the business year ended December 31, 2017 and the ratification of any payments of dividends and interest on equity made in advance, and distribution of the balance of dividends, in accordance with the Proposal made by the Company's Management Bodies.
- (iii) Number of members that shall comprise the Board of Directors.
- (iv) Election of the members of the Board of Directors for a period of office of two years.
- (v) Global remuneration of management, in accordance with Clause 14 of the Bylaws.

Below you will find explanations by Grendene's Management about each of the items of the proposal that are to be decided in the Ordinary General Meeting of April 23, 2018:

First item: To approve the accounts of management and the Financial Statements for the business year ended December 31, 2017

The Report of Management and the Financial Statements of the Company prepared by the Management of Grendene, accompanied by the Opinion of the external auditors and the Opinion of the Audit Board, for the business year ended December 31, 2017, were approved by the Board of Directors at a meeting held on February 22, 2018, and published in the newspapers *Diário Oficial do Estado do Ceará* and *O Povo*, on February 28, 2018.

Financial Statements

The Financial Statements express Grendene's economic and financial situation, and the changes in equity occurring in the business year, enabling stockholders to assess the Company's equity situation and level of profitability.

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM). The Company has adopted all the rules, revisions of rules and interpretations issued by IASB which are in effect for financial statements at December 31, 2017. These Statements comprise the Statement of Financial Position (Balance Sheet), the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of changes in Stockholder's Equity, the Statement of Cash Flow and the Statement of Added Value. The Financial Statements are complimented by explanatory notes for the purpose of assisting stockholders in analysis and understanding of those Statements.

Report of Management

Accompanying the Financial Statements is the Report of Management, a document which presents information of a financial character such as, for example, the principal lines of the Profit and loss account for the business year and also non-financial, statistical or operational information, such as information on employees, social responsibility, corporate governance and the capital markets, of wide-ranging scope.

Opinion of the Audit Board

The Audit Board has examined the Report of Management and the Individual and Consolidated Financial Statements of the Company, and issued an Opinion concluding that they adequately represent, in all material aspects, the equity and financial position of Grendene and its subsidiaries at December 31, 2017.

Opinion of the external auditors

Ernst & Young Auditores Independentes has examined the Financial Statements and issued an Opinion concluding that they adequately represent, in all material aspects, the equity and financial position of Grendene and its subsidiaries at December 31, 2017.

Documents presented by the Company's management

The following documents relating to this agenda item are available to stockholders: at the Company's head office; on its Investor Relations web page (<http://ri.grendene.com.br>); and on the sites of B3 – the São Paulo Stock Exchange (<http://www.b3.com.br>), and the Brazilian Securities Commission (<http://www.cvm.gov.br>):

- I. Report of Management.
- II. Financial Statements for the business year 2017.
- III. Remarks by the directors on the financial situation of Grendene required by Item 10 of the Reference Form, under Instruction 480 of December 7, 2009 of the CVM ('CVM Instruction 480') – these are also included in **Appendix II** to this present document.
- IV. Opinion of the Audit Board.
- V. Opinion of the external auditors.
- VI. Standardized Financial Statements (DFP form).

Second item: To decide on the proposal for allocation of net profit for the business year ended December 31, 2017 and the ratification of any payments of dividends and interest on equity made in advance, and distribution of the balance of dividends, in accordance with the Proposal made by the Company's Management Bodies – **Appendix III** to this present document.

The Board of Directors, at a meeting held on February 22, 2018, in accordance with By-laws and the dividend policy, proposed allocation of the net profit for the business year ended December 31, 2017, calculated in accordance with Clause 32 of the By-laws, in the amount of R\$ 660,928,515.86 (six hundred sixty million nine hundred twenty eight thousand five hundred fifteen Reais and eighty six centavos), as follows:

- a) R\$ 253,689,966.35 (two hundred fifty three million six hundred eighty nine thousand nine hundred sixty six Reais and thirty five centavos) to constitute the Tax Incentive Reserve, in the terms of Article 195-A of Law 6404/76.
- b) R\$ 20,361,927.47 (twenty million three hundred sixty one thousand nine hundred twenty seven Reais and forty seven centavos) to constitute the Legal Reserve, in accordance with Article 193 of Law 6404/76.
- c) R\$ 9,103,478.70 (nine million one hundred three thousand four hundred seventy eight Reais and seventy centavos) for constitution of the profit reserve under the By-laws named 'Reserve for acquisition of shares', as per clause 32, §2 of the By-laws.
- d) R\$ 96,719,155.51 (ninety six million seven hundred nineteen thousand one hundred fifty five Reais and fifty one centavos) distributed as mandatory dividend, in accordance with Article 32 of the Company's By-laws.
- e) Distribution to the stockholders of the remaining balance of dividends from the profit for the business year 2017, in the amount of R\$ 281,053,987.83 (two hundred eighty one million fifty three thousand nine hundred eighty seven Reais eighty three centavos), under Article 202, §6, of Law 6404/76.

Third item: To define the number of members that shall comprise the Board of Directors. The present Board of Directors of the Company comprises 6 (six) members. Explanations are in [Appendix IV](#) of this document.

Under Clause 15 of the Company's By-laws, the Board of Directors comprises at least 5 (five) and at most 7 (seven) sitting members, of which at least 20% (twenty percent) shall be Independent Members as defined in the Listing Regulations of the *Novo Mercado*, approved on May 10, 2011.

The proposal to the Ordinary General Meeting to be held on April 23, 2018 is election of 6 (six) members, thus maintaining the same number of members as presently sworn in to the Board of Directors.

Fourth item: Election of the members of the Board of Directors for a period of office of two years. (Details in [Appendix IV](#) to this document.)

The present Board of Directors of Grendene was elected at the Annual General Meeting of April 11, 2016, for a period of office up to the Annual General Meeting to be held in 2018.

For the election of the members of the Board of Directors who will serve for the period of office from the Annual General Meeting of 2018 to the Annual General Meeting of 2020, the following candidates have been nominated for reelection:

Candidate for independent member of the Board of Directors: Walter Janssen Neto.

Candidates for members of the Board of Directors: Alexandre Grendene Bartelle, Pedro Grendene Bartelle, Renato Ochman, Mailson Ferreira da Nóbrega and Oswaldo de Assis Filho.

Under Clause 15 of the Company's By-laws, the Board of Directors comprises at least 5 (five) and at most 7 (seven) sitting members, of which at least 20% (twenty percent) shall be Independent Members as defined in the Listing Regulations of the *Novo Mercado*, approved on May 10, 2011.

According to the regulations of the *Novo Mercado*, the segment in which the Company's shares are traded, the characteristics of an Independent Board Member are that such person:

- (i) has no link with the Company, other than having shares in it;
- (ii) is not the Controlling Stockholder, a spouse or relation to the second degree of the controlling stockholder and is not and has not been, in the last 3 (three) years, linked to a company or entity related to the Controlling Stockholder (parties related to public teaching and/or research institutions are excluded from this restriction);
- (iii) has not been, in the last 3 (three) years, an employee or a director of the Company, of the Controlling Stockholder or of a company controlled by the Company;
- (iv) is not a supplier or purchaser, direct or indirect, of services and/or products from the Company, on a scale that could give rise to loss of independence;
- (v) is not an employee or manager of a company or entity that is offering or demanding services and/or products to or from the Company, on a scale that could result in loss of independence;
- (vi) is not a spouse or relation up to the second degree of any manager of the Company; and/or
- (vii) does not receive any other remuneration from the Company than the remuneration for the position of Board member (and other than payments in money arising from ownership of shares in the Company).

Competing candidates

Stockholders or groups of stockholders who wish to put forward names to compete for the positions on the Board of Directors may do so in accordance with current regulations in force.

Multiple vote

In compliance with CVM Instruction 165 of December 11, 1991, as amended by CVM Instruction 282 of June 26, 1998, we advise stockholders that the minimum percentage holding in the Company's capital required for a demand to use the multiple vote for the election of members of the Board of Directors is 5% (five percent).

If there is a request for adoption of the multiple vote process, as many votes as there are members of the Board to be elected are to be attributed to each share, and stockholders may allocate all their shares on a single candidate, or distribute them between various candidates, under Article 141 of Law. 6404/76.

Once a request for adoption of the multiple vote process has been received and it has been verified that it complies with Article 141 of Law. 6404/76 the Company shall publish, through the IPE System, the fact that the election of the Board of Directors may take place by this process.

Under Article 141, §7 of Law 6404/76, independently of the number of board members who, according to the By-laws, comprise the Board of Directors, if the election of Board of Directors takes place by the multiple vote system and, cumulatively, the holders of common shares exercise the right to elect a board member in accordance with Article 141, §4 of Law 6404/76, the controlling stockholders have the right to elect board members in a number equal to those elected by the other stockholders, plus one.

It is important to mention that those stockholders who exercise the vote through a remote voting form may, if they wish, anticipate their vote in the form of a multiple vote to cover the eventuality of a request being made, within the legal period, for such a vote to be held.

Under Article 10 of CVM Instruction 481, the information required (in Items 12.5 to 12.10 of the Reference Form, specified by CVM Instruction 480) on the candidates for membership of the Board of Directors who are on the list proposed by the Management, and their resumes, are in [Appendix IV](#) to this document.

Fifth item: To set the global remuneration of the managers – [Appendix V](#) to this document.

For the period January through December 2018 it is proposed that the General Meeting should approve setting of the global annual amount at up to R\$ 8,800,000.00 (eight million eight hundred thousand Reais) for remuneration of the managers: up to R\$ 1,300,000.00 (one million three hundred thousand Reais) for the Board of Directors and up to R\$ 7,500,000.00 (seven million five hundred thousand Reais) for the Executive Board. The Board of Directors shall distribute this amount between the members of the said bodies, in accordance with the Company's remuneration policy.

The proposal for Remuneration of the Managers, in the form specified in Item 13 of the Reference Form, is in [Appendix V](#) of this document.

5.2. Matters to be decided in the Extraordinary General Meeting of Grendene

This Extraordinary General Meeting of April 23, 2018 has been called to decide on:

- (i) A proposal for split of shares issued by the Company in the proportion 1 (one) common share to 3 (three) common shares, without any alteration in the value of the Company's share capital.
- (ii) Change in the drafting of Articles 5 and 6 of the Company's By-laws to reflect the new quantity of common shares comprising its share capital.

First item: To decide about the proposal for split of shares issued by the Company in the proportion 1 (one) common share to 3 (three) common shares, without any alteration in the value of the Company's share capital.

The Executive Board at a meeting held on February 21, 2018 and the Board of Directors at a meeting held on February 22, 2018, decide to propose to the Extraordinary General Meeting the split of shares issued by the Company in the proportion of one (1) common share for 3 (three) common shares, as follows:

a) Split factor:

The proposal consists of a split of the totality of the 300,720,000 (three hundred million seven hundred and twenty thousand) nominal, book-entry common shares without par value, issued by the Company, in which each one common share will become three shares of the same type, without change in the Company's share capital, in accordance with Article 12 of Law 6404/1976. The Company's share capital continues to be R\$ 1,231,301,604.46 (one billion, two hundred thirty one million, three hundred one thousand, six hundred four Reais and forty six centavos), but will now be divided into 902,160,000 (nine hundred and two million, one hundred and sixty thousand) nominal, book-entry common shares without par value.

Stockholders of record at May 30, 2018 shall have the right to receipt of the shares arising from the split. The shares shall trade post- that split on June 1, 2018.

The credit of the shares resulting from the split will be on June 6, 2018.

The shares arising from the split shall be entitled, on the same terms, to all the same benefits, including dividends and any remunerations of capital distributed, as from June 1, 2018.

b) Justification:

The main purposes of the split of the Company's common shares are: (a) to increase the liquidity of the shares; and (b) to result in a better level for the price of the Company's shares, to make them more accessible to small investors.

Second item: To decide about the change in the drafting of Articles 5 and 6 of the Company's By-laws to reflect the new quantity of common shares comprising its share capital.

The Executive Board at a meeting held on February 21, 2018, and the Board of Directors at a meeting held on February 22, 2018, decided to propose to the Extraordinary Shareholders' Meeting the change in the drafting of Articles 5 and 6 of the Company's Bylaws to reflect the new quantity of common shares as a result of the split of shares mentioned in item (i) above.

The table below details the origin and justification of the proposed changes:

Current text	Suggested text	Justification
CHAPTER II Registered Capital and Shares	CHAPTER II Registered Capital and Shares	
Clause 5. The registered capital, subscribed and totally paid up, is R\$ 1,231,301,604.46 (one billion, two hundred and thirty one million, three hundred and one thousand, six hundred and four Reais and forty six centavos), divided into 300,720,000 (three hundred million, seven hundred twenty thousand) nominal, book-entry, common shares without par value.	Clause 5. The registered capital, subscribed and totally paid up, is R\$ 1,231,301,604.46 (one billion, two hundred and thirty one million, three hundred and one thousand, six hundred and four Reais and forty six centavos), divided into 902,160,000 (nine hundred and two million, one hundred and sixty thousand) nominal, book-entry, common shares without par value.	Change in the drafting of this Clause to reflect the decision to split the Company's shares in the proportion of 1 (one) common share to 3 (three) common shares of the same type.
§1 Each common share carries the right to one vote in decisions of the General Meeting of Stockholders.	§1 Each common share carries the right to one vote in decisions of the General Meeting of Stockholders.	This proposal has no significant legal or economic effects. It aims to increase the liquidity of the shares, and provide a better share price for the Company's shares that makes them more accessible to small investors.
§2 All the Company's shares are held on deposit in the name of their holders at a depositary institution authorized by the Brazilian Securities Commission (CVM) with which the Company maintains a current custody contract. Certificates are not issued.	§2 All the Company's shares are held on deposit in the name of their holders at a depositary institution authorized by the Brazilian Securities Commission (CVM) with which the Company maintains a current custody contract. Certificates are not issued.	
§3 The depositary institution may charge stockholders the cost of the service of transfer and registry of ownership of book-entry shares, and also the cost of services	§3 The depositary institution may charge stockholders the cost of the service of transfer and registry of ownership of book-entry shares, and also the cost of services	

Current text	Suggested text	Justification
<p>relative to the shares held in custody, subject to the maximum limits set by the CVM.</p> <p>§4 The Company may not issue preferred shares or founders' shares.</p> <p>§5 Except as specified in § 1 of Clause 6, shareholders have the right of preference, in proportion to their holdings, to subscribe shares, convertible debentures or warrants issued by the Company, which may be exercised within the legal period of 30 (thirty) days for the exercise of this right.</p>	<p>relative to the shares held in custody, subject to the maximum limits set by the CVM.</p> <p>§4 The Company may not issue preferred shares or founders' shares.</p> <p>§5 Except as specified in § 1 of Clause 6, shareholders have the right of preference, in proportion to their holdings, to subscribe shares, convertible debentures or warrants issued by the Company, which may be exercised within the legal period of 30 (thirty) days for the exercise of this right.</p>	
<p>Clause 6. The Company's registered capital may be increased by up to 300,000,000 (three hundred million) common shares, without the need for a change in the Bylaws, upon decision by the Board of Directors, which has competence to set the issue price and other conditions of subscription and paying-up of the shares within the authorized capital.</p> <p>§1 The Company may issue shares, debentures convertible into shares or warrants without the existing stockholders having the right of preference, or with reduction of the period for exercise of the right of preference specified in Article 171, § 4, of Law 6404/76, provided that these securities are placed (a) by sale on a securities exchange or through public subscription or (b) by exchange of shares, in a public offer for acquisition of control.</p> <p>§2 Within the limit of authorized capital, and in accordance with any plan that is approved by the General Meeting of Stockholders, the Company may grant options to purchase shares to managers, employees, or individuals who provide services to the Company, or to a company under its control.</p>	<p>Clause 6. The Company's registered capital may be increased by up to 900,000,000 (nine hundred million) common shares, without the need for a change in the Bylaws, upon decision by the Board of Directors, which has competence to set the issue price and other conditions of subscription and paying-up of the shares within the authorized capital.</p> <p>§1 The Company may issue shares, debentures convertible into shares or warrants without the existing stockholders having the right of preference, or with reduction of the period for exercise of the right of preference specified in Article 171, § 4, of Law 6404/76, provided that these securities are placed (a) by sale on a securities exchange or through public subscription or (b) by exchange of shares, in a public offer for acquisition of control.</p> <p>§2 Within the limit of authorized capital, and in accordance with any plan that is approved by the General Meeting of Stockholders, the Company may grant options to purchase shares to managers, employees, or individuals who provide services to the Company, or to a company under its control.</p>	<p>Change in the drafting of this Clause to reflect the decision to split the Company's shares in the proportion of 1 (one) common share to 3 (three) common shares of the same type.</p> <p>This proposal has no significant legal or economic effects. It aims to increase the liquidity of the shares, and provide a better share price for the Company's shares that makes them more accessible to small investors.</p>

The By-laws of the Company including the changes proposed above are in [Appendix VI](#).

6. Documents relating to the matters to be decided in the Ordinary and Extraordinary General Meetings of Grendene

The following documents are available to stockholders at the Company's head office, and also on its Investor Relations website (<http://ri.grendene.com.br>) and also on the sites of B3 (the São Paulo Stock Exchange) (<http://www.b3.com.br>) and of the Brazilian Securities Commission – CVM (<http://www.cvm.gov.br>):

- Remote voting form to Ordinary General meeting required by Appendix 21-F of CVM Instruction 481/09 – **Appendix I-A.**
- Remote voting form to Extraordinary General meeting required by Appendix 21-F of CVM Instruction 481/09 – **Appendix I-B.**
- The Convocation Notice.
- Financial Statements for the business year ended December 31, 2017 (Report of Management, Financial Statements, Opinion of the External Auditors, and Opinion of the Audit Board).
- Standard Financial Statements form (DFP form).
- Minutes of the meeting of the Board of Directors of February 22, 2018 with the Proposal of allocation of profit for the year ended December 31, 2017.
- Comments by the Directors on the financial situation of Grendene – item 10 of the Reference Form, as per CVM Instruction 480/09 – **Appendix II.**
- Information relating to the proposal for allocation of the profit required by Appendix 9-1-II of CVM Instruction 481/09 – **Appendix III.**
- Information on the candidates for membership of the Board of Directors - items 12.5 to 12.10 of the Reference Form, as per CVM Instruction 480/09 - **Appendix IV.**
- Information on the remuneration of the managers – Item 13 of the Reference Form, as per CVM Instruction 480/09 – **Appendix V.**
- By-laws – **Appendix VI.**

For answers to any question, contact the Investor Relations Department, by telephone at +55 (54) 2109-9000 or +55 (54) 2109-9022 or by email: dri@grendene.com.br.

Appendix I-A

Grendene S.A.

Listed Company – CNPJ/MF: 89.850.341/0001-60 – NIRE nº 23300021118-CE

Distance Voting Form

Ordinary General Meeting (“OGM”) of April 23, 2018.

Name
Stockholder’s tax number (Company= ‘CNPJ’; Individual = ‘CPF’)
Email address for sending to the stockholder of confirmation of receipt of the form by the Company
<p>Guide to filling this form</p> <p>This form should be filled in if the stockholder opts to exercise his/her right to remote voting, under CVM Instruction 481. In this case it is essential that the fields above should be filled in with complete name (or formal company name) of the stockholder and the stockholder’s tax number – CNPJ for legal entities or CPF for individuals, and an email address for contact.</p> <p>Further, for this voting form to be considered valid and the votes hereby cast to be counted in the quorum of the General Meeting:</p> <ul style="list-style-type: none"> – all the fields below must be properly filled in; – all the pages must be initialed; – at the end, the stockholder or his/her/its legal representative(s) as the case may be and in accordance with the current legislation, must sign the form; and – neither recognition of the signatures on the form, nor their consularization, will be required. <p>In the event of adoption of the multiple vote election process, stockholders should be aware that in the event of a choice of equal distribution for 100% of the stockholder’s votes between members of a chosen list, this division will be calculated to two decimal places, without rounding, and any fractions of shares resulting from this division will not be allocated to any candidate, but eliminated from the counting process in the event of use of the multiple voting mechanism – in this case, thus, there is the possibility of a stockholder not voting with the totality of their shares.</p> <p>Note that the ‘Proposal by Management’ referred to in this form, and to which this form is attached, is available to Stockholders at the head office of Grendene S.A., on its Investor Relations website (http://ri.grendene.com.br), and on the sites of the São Paulo Stock Exchange (B3) (http://www.b3.com.br) and the CVM – Brazilian Securities Commission (http://www.cvm.gov.br).</p> <p>The Company reserves the right to re-present this Remote Voting Form, provided the formalities specified in CVM Instruction 481/09, as amended, are complied with.</p>
<p>Instructions for sending the form</p> <p>A stockholder who opts to exercise the right to remote voting may: (i) fill in this form and send it directly to the Company, or (ii) transmit the instructions for filling it in to a qualified service provider, according to the orientations below:</p> <p>Exercise of vote through service providers – Remote voting system</p> <p>A stockholder exercising the right to vote remotely through service providers must transmit voting instructions to the stockholder’s custody agent or the bookkeeper of the Company’s shares, obeying the rules determined by them. For this, stockholders must contact their custody agents or bookkeeping entities and check the procedures established by them for issuance of remote voting form instructions, and the documents and information required by them for the purpose.</p> <p>Custody agents must send the statements of vote received by them to the Deposit Center of the São Paulo Stock Exchange which, in turn, shall generate a voting map to be sent to the bookkeeping entity of the Company.</p> <p>Under CVM Instruction 481/09, the stockholder must transmit the instructions for filling in the form to the stockholder’s custody agent or bookkeeping entity by at least 7 days prior to the holding of the Meeting, that is to say by April 17, 2018 (inclusive), unless the custody agent or the bookkeeping entity establishes a different deadline.</p>

Note that, as specified by CVM Instruction 481/09, the Depositary Center of the São Paulo Stock Exchange, when receiving the voting instructions of the stockholders through their respective custody agents, will leave out of account any instructions that diverge in relation to a single decision that has been issued under the same CPF or CNPJ number. Additionally, the bookkeeping entity, also in line with CVM Instruction 481/09, will leave out of account any instructions that diverge in relation to a single decision that had been issued by any one CPF or CNPJ number.

Sending of the ballot by the stockholder directly to the Company

A stockholder who opts to exercise the right of remote voting may, alternatively, do so directly to the Company, and for this purpose must send the following documents to the head office at Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department:

- (i) The physical version of this form duly filled in, initialed and signed; and
- (ii) copies of the following documents:
 - (a) For individuals:
 - identity document with photo of the stockholder.
 - (b) For legal entities:
 - Latest consolidated By-laws or articles of association, and corporate documents proving the legal representation of the stockholder; and
 - identity document with photo of the legal representative.
 - (c) For investment funds:
 - Latest consolidated regulations of the fund.
 - By-Laws or Articles of Association of the Fund's administrator or manager, as the case may be, in accordance with the fund's voting policy, and corporate documents proving the powers of representation.
 - Identity document with photo of the legal representative.

The stockholder may also, at its option, send digital copies of this form and the documents mentioned above to the email address dri@grendene.com.br – in which case it is also necessary to send the original copy of this form and the copy of the documents required by April 17, 2018, inclusive, to Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department.

The Company will not require a sworn translation of documents that have been originally issued in the Portuguese language or which come accompanied by the respective translation into that language. The following identity documents will be accepted, provided they have a photograph: RG, RNE, CNH, Passport or Identity Card issued by one of the officially recognized professional groups.

Once the form and the related required documentations have been received, the Company will advise the stockholder of its receipt and of its acceptance or not, in the terms of CVM Instruction 481/09.

The Company has not implemented the electronic system for receipt of a remote voting or remote participation.

Postal address and email address for sending of the remote voting form, if the stockholder wishes to deliver the document directly to the Company:

GRENDENE S.A.

A/C Departamento de Relações com Investidores
Av. Pimentel Gomes, 214, Expectativa
Sobral, CE, Brazil, Zip code: 62040-125
e-mail: dri@grendene.com.br

Indication of the institution contracted by the Company to provide securities bookkeeping services:

Itaú Corretora de Valores S.A., the bookkeeping institution for the Company's shares, has created a specialized website, Assembleia Digital ('Digital General Meeting'), to provide a secure means of remote voting online. To vote using the site, you need to register, and have an individual digital ID voting code. Information on how to register, and the steps required for issuance of the digital code, are on the site:

<http://www.itaubr.com.br/securitieservices/assembleiadigital/>

ITAÚ CORRETORA DE VALORES S.A

Avenida Brigadeiro Faria Lima, 3.500, 3º andar
Itaim Bibi, São Paulo, SP, Brazil – Zip code: 04538-132

Stockholder services:

3003-9285 (calls from state capitals or metropolitan regions)

0800 720 9285 (for calls from other locations)

Service is from 9 a.m. to 6 pm on business days.

Email: atendimentoescrituracao@itau-unibanco.com.br

Decisions / Questions at the Ordinary (Annual) General Meeting

1. To approve the accounts of the managers and the Financial Statements for the business year ended December 31, 2017.

Approve Reject Abstain

2. To decide on the allocation of the net profit for the business year ended December 31, 2017, as per the Proposal by the Company's Management

Approve Reject Abstain

3. To decide that the Board of Directors shall comprise 6 members.

Yes No Abstain

To elect the members to constitute the Board of Directors by single list

Board of Directors – Single list

Alexandre Grendene Bartelle – Chairman of the Board of Directors

Pedro Grendene Bartelle – Vice chairman of the Board of Directors

Renato Ochman – Member of the Board of Directors

Maílson Ferreira da Nóbrega – Member of the Board of Directors

Oswaldo de Assis Filho – Member of the Board of Directors

Walter Janssen Neto – independent member of the Board of Directors

4. Indication of all the names that comprise the list as proposed by Management (single list):

Approve Reject Abstain

5. If one of the candidates on the list ceases to be part of the list, can the votes corresponding to your shares continue to be given to the same list?

Yes No Abstain

6. In the event of adoption of the multiple vote election process, do you wish to distribute the votes proportionately to all the candidates on the list proposed by Management for the candidates that comprise the list chosen?

Yes No Abstain

7. Visualization of all the candidates that compose the list to indicate the % (percentage) of the votes to be attributed:

Alexandre Grendene Bartelle – Chairman of the Board of Directors – [_____]%

Pedro Grendene Bartelle – Vice chairman of the Board of Directors – [_____]%

Renato Ochman – Member of the Board of Directors – [_____]%

Maílson Ferreira da Nóbrega – Member of the Board of Directors – [_____]%

Oswaldo de Assis Filho – Member of the Board of Directors – [_____]%

Walter Janssen Neto – independent member of the Board of Directors – [_____]%

8. Do you wish to adopt the process of multiple vote for election of the Board of Directors, as per Article 141 of Law 6404/76?

Yes No Abstain

9. Do you want to elect a member of the Board of Directors separately, in accordance with the terms of Paragraph 4, Sub-item I, of Article 141 of Law 6404 of 1976?

* Note: This field may be filled in only if the stockholder has held the shares, with which the stockholder is voting, for a full period of 3 months, without interruption, immediately prior to the date on which the General Meeting of Stockholders is held.

Yes No Abstain

10. For the period of January through December 2018, set the global annual amount for remuneration of the managers at up to R\$ 8,800,000.00 (eight million eight hundred thousand Reais), comprising up to R\$ 1,300,000.00 (one million three hundred thousand Reais) to the Board of Directors and up to R\$ 7,500,000.00 (seven million five hundred thousand Reais) for the Executive Board as per the proposal of Management.

Approve Reject Abstain

11. Do you wish the Audit Board to be installed, in the terms of Article 161 of Law 6404 of 1976?

* Note: This resolution is not part to the agenda of the OGM, and has been inserted in compliance with the provisions of article 21-K, sole paragraph of CVM instruction 481/09.

Yes No Abstain

City:

Date:

Signature:

Name:

Telephone:

Appendix I-B

Grendene S.A.

Listed Company – CNPJ/MF: 89.850.341/0001-60 – NIRE nº 23300021118-CE

Distance Voting Form

Extraordinary General Meeting (“EGM”) of April 23, 2018.

Name
Stockholder’s tax number (Company= ‘CNPJ’; Individual = ‘CPF’)
Email address for sending to the stockholder of confirmation of receipt of the form by the Company
<p>Guide to filling this form</p> <p>This form should be filled in if the stockholder opts to exercise his/her right to remote voting, under CVM Instruction 481.</p> <p>In this case it is essential that the fields above should be filled in with complete name (or formal company name) of the stockholder and the stockholder’s tax number – CNPJ for legal entities or CPF for individuals, and an email address for contact.</p> <p>Further, for this voting form to be considered valid and the votes hereby cast to be counted in the quorum of the General Meeting:</p> <ul style="list-style-type: none"> – all the fields below must be properly filled in; – all the pages must be initialed; – at the end, the stockholder or his/her/its legal representative(s) as the case may be and in accordance with the current legislation, must sign the form; and – neither recognition of the signatures on the form, nor their consularization, will be required. <p>Note that the ‘Proposal by Management’ referred to in this form, and to which this form is attached, is available to Stockholders at the head office of Grendene S.A., on its Investor Relations website (http://ri.grendene.com.br), and on the sites of the São Paulo Stock Exchange (B3) (http://www.b3.com.br) and the CVM – Brazilian Securities Commission (http://www.cvm.gov.br).</p> <p>The Company reserves the right to re-present this Remote Voting Form, provided the formalities specified in CVM Instruction 481/09, as amended, are complied with.</p>
<p>Instructions for sending the form</p> <p>A stockholder who opts to exercise the right to remote voting may: (i) fill in this form and send it directly to the Company, or (ii) transmit the instructions for filling it in to a qualified service provider, according to the orientations below:</p> <p>Exercise of vote through service providers – Remote voting system</p> <p>A stockholder exercising the right to vote remotely through service providers must transmit voting instructions to the stockholder’s custody agent or the bookkeeper of the Company’s shares, obeying the rules determined by them. For this, stockholders must contact their custody agents or bookkeeping entities and check the procedures established by them for issuance of remote voting form instructions, and the documents and information required by them for the purpose.</p> <p>Custody agents must send the statements of vote received by them to the Deposit Center of the São Paulo Stock Exchange which, in turn, shall generate a voting map to be sent to the bookkeeping entity of the Company.</p> <p>Under CVM Instruction 481/09, the stockholder must transmit the instructions for filling in the form to the stockholder’s custody agent or bookkeeping entity by at least 7 days prior to the holding of the Meeting, that is to say by April 17, 2018 (inclusive), unless the custody agent or the bookkeeping entity establishes a different deadline.</p> <p>Note that, as specified by CVM Instruction 481/09, the Depositary Center of the São Paulo Stock Exchange, when receiving the voting instructions of the stockholders through their respective custody agents, will leave out of account any instructions that diverge in relation to a single decision that has been issued under the same CPF or CNPJ number. Additionally, the bookkeeping entity, also in line with CVM Instruction 481/09, will leave out of account any instructions that diverge in relation to a single decision that had been issued by any one CPF or CNPJ number.</p>

Sending of the ballot by the stockholder directly to the Company

A stockholder who opts to exercise the right of remote voting may, alternatively, do so directly to the Company, and for this purpose must send the following documents to the head office at Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department:

- (i) The physical version of this form duly filled in, initialed and signed; and
- (ii) copies of the following documents:
 - (a) For individuals:
 - identity document with photo of the stockholder.
 - (b) For legal entities:
 - Latest consolidated By-laws or articles of association, and corporate documents proving the legal representation of the stockholder; and
 - identity document with photo of the legal representative.
 - (c) For investment funds:
 - Latest consolidated regulations of the fund.
 - By-Laws or Articles of Association of the Fund's administrator or manager, as the case may be, in accordance with the fund's voting policy, and corporate documents proving the powers of representation.
 - Identity document with photo of the legal representative.

The stockholder may also, at its option, send digital copies of this form and the documents mentioned above to the email address dri@grendene.com.br – in which case it is also necessary to send the original copy of this form and the copy of the documents required by April 17, 2018, inclusive, to Avenida Pimentel Gomes 214, Expectativa, 62040-050 Sobral, Ceará, Brazil, c/o: Investor Relations Department.

The Company will not require a sworn translation of documents that have been originally issued in the Portuguese language or which come accompanied by the respective translation into that language. The following identity documents will be accepted, provided they have a photograph: RG, RNE, CNH, Passport or Identity Card issued by one of the officially recognized professional groups.

Once the form and the related required documentations have been received, the Company will advise the stockholder of its receipt and of its acceptance or not, in the terms of CVM Instruction 481/09.

The Company has not implemented the electronic system for receipt of a remote voting or remote participation.

Postal address and email address for sending of the remote voting form, if the stockholder wishes to deliver the document directly to the Company:

GRENDENE S.A.

A/C. Departamento de Relações com Investidores
Av. Pimentel Gomes, 214, Expectativa
Sobral, CE, Brazil, Zip code: 62040-125
e-mail: dri@grendene.com.br

Indication of the institution contracted by the Company to provide securities bookkeeping services:

Itaú Corretora de Valores S.A., the bookkeeping institution for the Company's shares, has created a specialized website, Assembléia Digital ('Digital General Meeting'), to provide a secure means of remote voting online. To vote using the site, you need to register, and have an individual digital ID voting code. Information on how to register, and the steps required for issuance of the digital code, are on the site:

<http://www.itaubr.com.br/securitieservices/assembleiadigital/>

ITAÚ CORRETORA DE VALORES S.A

Avenida Brigadeiro Faria Lima, 3.500, 3º andar
Itaim Bibi, São Paulo, SP, Brazil – Zip code: 04538-132

Stockholder services:

3003-9285 (calls from state capitals or metropolitan regions)
0800 720 9285 (for calls from other locations)
Service is from 9 a.m. to 6 pm on business days.
Email: atendimentoescrituracao@itau-unibanco.com.br

Decisions / Questions at the Extraordinary General Meeting

1. To approve the proposal of management to split the Company's shares in the proportion 1 (one) common share to 3 (three) common shares, without any change in the value of the Company's share capital.

Approve Reject Abstain

2. To approve alteration of the drafting of Articles 5 and 6 of the Company's Bylaws, to reflect the new number of common shares issued by the Company as a result of the split specified in the Proposal by Management.

Approve Reject Abstain

City:

Date:

Signature:

Name:

Telephone:

Appendix II

10 Comments by the Chief Officers

10.1 – General Conditions of finances, assets and liabilities

a. General financial and equity conditions

In management's opinion the Company is in a solid economic and financial situation. The balances held in cash, cash equivalents and/or cash investments provide confidence that the Company has full conditions to honor all its financial commitments in the short and long term.

In the economic aspect the Company has shown capacity to earn profits even in adverse scenarios, remunerating capital invested in a way that we consider to be appropriate and distributing dividends that exceed the minimum mandatory dividends for more than 10 years.

The figures that evidence Grendene's general financial and equity conditions for the business years 2015, 2016 and 2017 are given in the tables below, and complimented by items 10.1.b, 10.1.c, 10.1.d, 10.1.e, 10.1.f, 10.1.g, 10.1.h and 10.2 of this proposal.

Year	R\$ '000	Initial Stockholders' ¹ equity	Net profit	Dividends	Reinvestment	Return on Stockholders' equity	Initial Stockholders' ¹ equity
2015		2,232,649	551,223	275,925	275,298	24.7%	2,520,866
2016		2,520,866	634,492	351,383	283,109	25.2%	2,792,976
2017		2,792,976	660,929	377,773	283,156	23.7%	3,087,479

1) Stockholders' equity adjusted by exclusion of the balance of dividends payable.

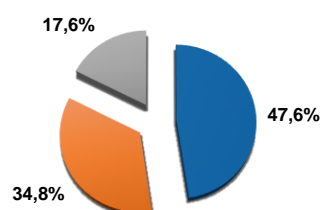
Liquidity	2015	2016	2017
General liquidity ratio	6.0	8.4	8.6
Current liquidity ratio	5.4	9.1	8.8
Quick ratio	4.6	8.1	8.0

Profitability	2015	2016	2017
Net margin	25.0%	31.0%	29.3%
Gross margin	48.5%	48.7%	48.9%
Ebit margin	18.2%	19.5%	20.7%

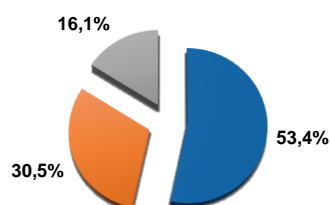
R\$ '000	2015	2016	2017
Borrowings (short-term and long-term)	212,825	125,372	123,627
Cash and cash equivalents and financial investments (ST and LT)	1,281,880	1,589,378	1,780,645

Assets

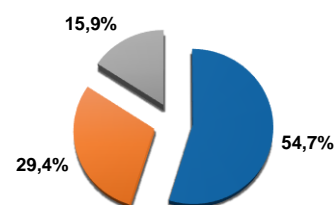
December 31, 2015



December 31, 2016



December 31, 2017



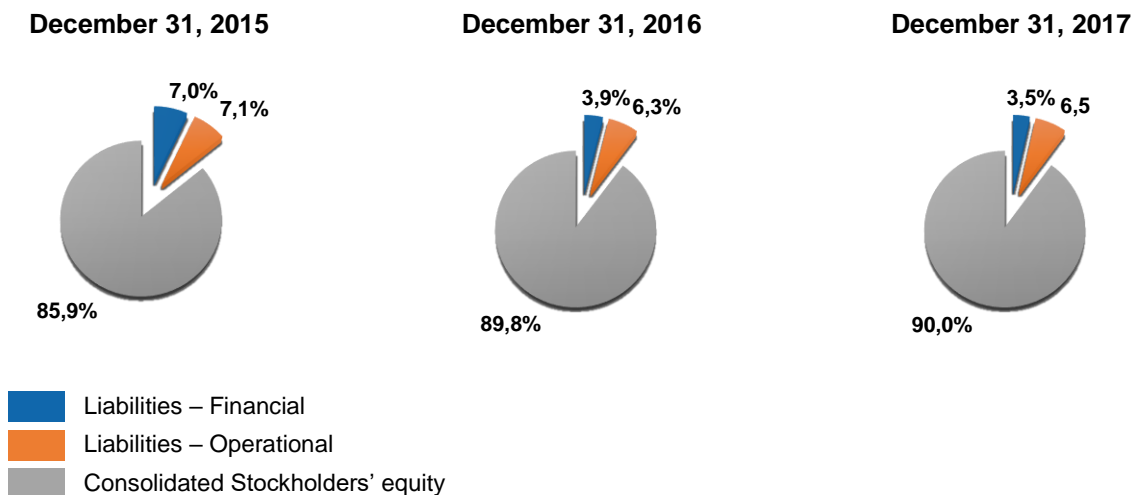
- Cash and cash equivalents and financial investments (short-term and long-term)
- Working capital (excluding cash and cash equivalents and financial investments – ST and LT)
- Non-current assets

10.1 – General Conditions of finances, assets and liabilities

b. Capital structure and possibility of redemption of shares or share units, indicating:

The Company has a capital structure that does not depend on outside capital to conduct its business. Grendene makes its fixed investments, and investments in working capital, with its own funds.

Liabilities: Current + non-current



All Grendene's shares are common shares. They are nominal, book-entry shares without par value and with no expected redemption.

i. Situations of redemption

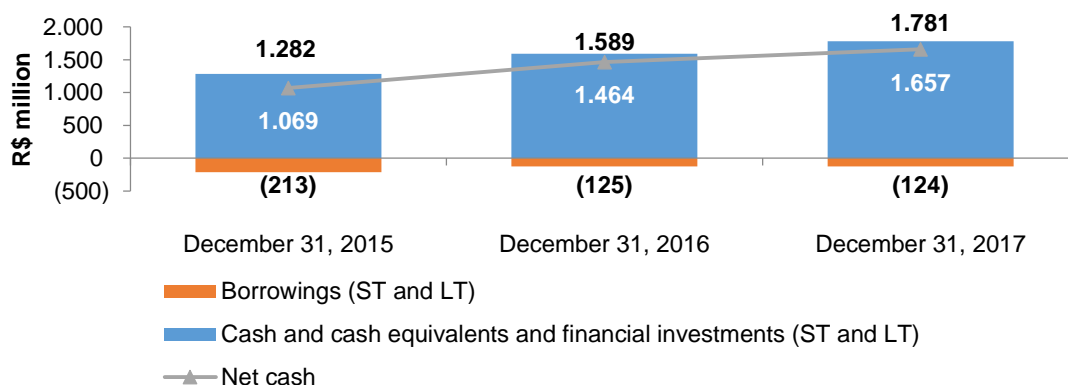
Not applicable, because Grendene does not have any redeemable shares issued.

ii. Formula for calculation of the redemption value

Not applicable, because Grendene does not have any redeemable shares issued.

c. Payment capacity in relation to financial commitments assumed

Grendene has a comfortable and solid financial situation, and thus has full conditions to honor all its commitments.



R\$ '000	2015	2016	2017
Current assets	1,908,661	2,492,979	2,846,997
Non-current assets	1,136,981	760,841	729,011
Current liabilities	354,500	275,383	322,074
Non-current liabilities	74,382	56,367	36,325
Consolidated Stockholders' equity	2,616,760	2,922,070	3,217,609

As can be seen in the Company's Statement of Financial Position, and shown in the table above, the Company's cash position (cash, cash equivalents and cash investments) is higher than the total of short- and long-term liabilities, which makes it improbable that any external economic or financial situation should affect its capacity to pay its commitments.

d. Sources of financing used for working capital and investments in non-current assets

Grendene has a significant net cash position (balance of cash, cash equivalents and financial investments less short and long-term loans) and has the capacity to finance its present operations and investments with its own funds. However, the Company may have recourse to financing sources whenever the costs of those funds are sufficiently low in the management's opinion, to generate value for its stockholders.

e. Sources of financing for working capital and for investments in non-current assets that the company intends to use to cover deficiencies in liquidity

Grendene does not have deficiencies in liquidity, has not had such deficiencies in the past and does not expect that this situation could occur. Its working capital investments are financed with its own funds.

f. Level of indebtedness, and characteristics of such debt

i. Contracts for significant borrowings

Borrowings are stated at contractual amounts, plus agreed-upon charges including interest and monetary restatement or foreign exchange variations. After initial recognition they are measured at amortized cost, using the effective interest rate method.

The table below presents the composition of our bank debt (fixed assets plus working capital) on December 31, 2015, 2016 and 2017.

Consolidated	Index	Interest rate (p.a)	2015	2016	2017
In local currency					
Property, plant and equipment	Fixed	4.50%, 4.31% and 4.31%	61,651	53,039	42,224
Proapi and Provin	TJLP	-	24,594	14,249	2,571
			86,245	67,288	44,795
In foreign currency					
Working capital	Argentinean pesos	26.88% and 27.75%	35,414	7,814	-
Working capital – ACE	US Dollar +	2.24%, 3.87% and 2.30%	91,166	50,270	78,832
			126,580	58,084	78,832
Total borrowings			212,825	125,372	123,627
(-) Total current liabilities			(141,652)	(70,734)	(89,666)
Total non-current liabilities			71,173	54,638	33,961

This table shows the timetable of maturities of long-term loans and financings on December 31, 2017:

Maturities	Portions of long-term indebtedness				Total
	2019	2020	2021	2022	
Bank financing	10,708	10,341	10,341	-	31,390
Proapi	-	-	-	2,389	2,389
Provin	-	49	-	133	182
Total	10,708	10,390	10,341	5,522	33,961

10.1 – General Conditions of finances, assets and liabilities

Financing – Fixed assets

In 2014 the Company contracted a financing with Banco do Nordeste do Brasil S.A. through FNE – The Constitutional Fund of the Northeast, for acquisition of goods and services for construction of industrial plant. The disbursement of funds occurred in installments by the bank during the year 2014 and 2015 (Balance R\$ 41.4 million in 2017, R\$ 51.7 million in 2016 and R\$ 59.9 million in 2015). Final maturity of the transaction is December 26, 2021.

The other financings for fixed assets were contracted for acquisition of industrial equipment (R\$ 0.8 million in 2017, R\$ 1.3 million in 2016 and R\$ 1.8 million in 2015).

Financing – Working capital – ACE

The Company has contracted loans for its export operations in the ACE modality (Advances on Delivered Shipping Documents). These transactions consist of an advance of the corresponding amount in Reais of shipped exports.

Financing – Proapi and Provin

The Company enjoys tax incentive benefits in relation to its activities located in the State of Ceará, through obtaining of financing from the FDI - Industrial Development Fund of Ceará, through a financial agent as intermediary, established by that fund. These financings are based on the ICMS tax payable (Provin) and products exported (Proapi), measured monthly. The financings are to be settled within 36 to 60 months after their disbursement.

It is the Company's Management's understanding that recording of the benefit of the reduction of amounts payable takes place at the moment of obtaining of the financings, so as to be able to reflect most appropriately the accrual method of reporting, since the costs of the ICMS tax and of the exports, relating to the transactions that enjoy the incentives, are also registered at the same time as the benefits.

At December 31, 2017, portions of this financing that are not subject to tax incentives amounting to R\$ 2,571 (R\$ 14,249 in 2016 and R\$ 24,594 in 2015) are recorded as current and non-current liabilities.

Under the Proapi program, financings are given in the amount of 11% of the FOB value exported, payable in 60 months, attracting interest at the TJLP (long-term interest rate). At maturity the Company pays 10% of the amount of the debtor balance of the financing, and the remaining 90% is exempted from payment, representing a net incentive of 9.9% of the FOB value exported.

Guarantees

The guarantees linked to the loans and financings are: a) chattel mortgage on machines and equipment acquired; b) land sites and buildings; and c) surety guarantee given by the managers of the Company. The existing guarantees are for the amounts financed.

ii. Other long-term relationships with financial institutions

The Company does not have long-term relationships with financial institutions other than the obligations related to the transactions reported above.

iii. Degree of subordination between the debts

There is no degree of subordination between the debts.

iv. Any restrictions imposed on the issuer, especially in relation to limits of indebtedness and contracting of new debt, distribution of dividends, disposal of assets, issuance of new securities and/or disposal of stockholding control

There are no restrictions imposed on the Company in relation to the limits of indebtedness and contracting of new debts, distribution of dividends, disposal of assets, issuance of new securities or disposal of stockholding control.

10.1 – General Conditions of finances, assets and liabilities**g. Limits of use of the financings already contracted**

There are no financings that have been contracted and not been used.

h. Significant alterations in each item of the financial statements

The Company's individual and consolidated financial statements for the business years ended December 31, 2015, 2016 and 2017 have been prepared based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM), obeying the accounting directives arising from the Corporate Law (Law 6404/76), and also in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In Management's opinion there are no significant changes in the consolidated financial statements of the Company in relation to the business years 2015, 2016 and 2017.

Description of the principal accounts of the consolidated Balance Sheet**Remarks on the main accounts of Assets****Cash, cash equivalents and cash investments**

Short and long-term cash, cash equivalents and cash investments totaled R\$ 1,281.9 million on December 31, 2015, R\$ 1,589.4 million on December 31, 2016 and R\$ 1,780.6 million on December 31, 2017. Cash and banks are represented by non-interest-bearing bank deposits. Financial investments classified as cash equivalents refer to short-term investments redeemable no later than three months from the acquisition date.

Financial investments comprise: Bank Certificates of Deposit (CDBs), Debentures, Real-denominated Bank Debt Notes (LFINs) and Government Debt Securities (NTNs), and are classified as 'Securities at fair value through profit or loss', and 'Held-to-maturity investments', according to the Company's investment strategy.

This table shows the Company's cash situation on the following dates:

R\$'000	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Net cash from operations (a)	442,718	566,471	525,726
Net cash from investment activities (b)	(198,585)	(174,737)	(125,464)
<i>Net cash generated (invested) in redemption (making) of financial investments</i>	<i>(125,360)</i>	<i>(103,269)</i>	<i>(17,935)</i>
<i>Funds allocated to Investments in fixed assets</i>	<i>(73,225)</i>	<i>(71,468)</i>	<i>(107,529)</i>
Net cash used in financing activities (c)	(249,172)	(392,356)	(390,806)
Reduction / increase in cash and cash equivalents (a + b + c)	(5,039)	(622)	9,456

On December 31, 2017, Cash and cash equivalents and cash investments (short and long-term) were 49.8% of Total assets (compared to 48.8% at the end of 2016 and 42.1% at the end of 2015).

Accounts receivable from customers and Inventories

The lines Accounts receivable from clients and Inventories totaled in aggregate R\$ 1,116.5 million on December 31, 2015, R\$ 1,021.6 million on December 31, 2016 and R\$ 1,129.6 million on December 31, 2017.

On December 31, 2015, 2016 and 2017 the average periods for receivables in the domestic market were – respectively – 91, 90 and 89 days, and in the export market 85, 81 and 75 days, respectively.

Stockholders' equity

Stockholders' equity totaled R\$ 3,217.6 million on December 31, 2017, R\$ 2,922.1 million on December 31, 2016 and R\$ 2,616.8 million on December 31, 2015. The table below shows the evolution of the Company's consolidated Stockholders' equity.

10.1 – General Conditions of finances, assets and liabilities

Consolidated Stockholders' equity – R\$ '000	R\$
Balances at December 31, 2014	2,327,934
Net profit for the year	539,311
Exchange differences on subsidiaries outside Brazil	16,479
Acquisition of treasury shares	(3,034)
Sale of treasury shares for exercise of stock purchase option	8,016
Expenses on Stock options purchase and subscription plan	3,543
Dividends distributed	(260,489)
Interest on Equity (counted as part of total dividends)	(15,000)
Balances at December 31, 2015	2,616,760
Net profit for the year	633,955
Exchange differences on subsidiaries outside Brazil	(11,016)
Losses in interests of non-controlling Stockholders	(125)
Acquisition of treasury shares	(11,020)
Sale of treasury shares for exercise of stock purchase option	6,416
Expenses on Stock options purchase and subscription plan	5,283
Dividends distributed	(183,683)
Interest on Equity distributed	(115,000)
Interest on Equity (counted as part of total dividends)	(19,500)
Balances at December 31, 2016	2,922,070
Net profit for the year	660,903
Exchange differences on subsidiaries outside Brazil	1,642
Exchange losses on investments	7,774
Loss on disposal of investment	(46)
Acquisition of treasury shares	(9,837)
Sale of treasury shares for exercise of stock purchase option	5,472
Expenses on Stock options purchase and subscription plan	6,368
Dividends distributed	(216,737)
Interest on Equity distributed	(140,500)
Interest on Equity (counted as part of total dividends)	(19,500)
Balances at December 31, 2017	3,217,609

Working capital

The table below shows working capital:

R\$ '000	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Working capital (Current assets – Current liabilities)	1,554,161	2,217,596	2,524,923
Working capital / Total capital	51.0%	68.2%	70.6%
Working capital / Net sales revenue	70.6%	108.4%	112.1%

Description of the principal accounts of the consolidated Profit and loss account

See item 10.2, sub-clause 'a'.

10.2 – Operational profit and Financial revenue (expenses)**a. Results of operations of the issuer, especially:****i. Description of any important components of revenue****Gross sales revenue**

Grendene's revenue from the domestic market was 12.6% higher in 2017 than 2016, sustained by a small recovery in the economy, and gains in market share.

The robust 12.5% growth in volume of pairs exported also does not completely translate into higher revenue, due to the less favorable exchange rate, and the ending of the Proapi export incentive support system.

R\$ million	2015	2016	2017	Change % 2016-2017
Consolidated gross revenue	2,631.8	2,483.0	2,727.7	9.9%
Domestic market	1,899.8	1,870.3	2,106.6	12.6%
Exports	732.0	612.7	621.1	1.4%
<i>Exports, US\$</i>	<i>219.3</i>	<i>175.5</i>	<i>194.6</i>	<i>10.9%</i>

Million of pairs	2015	2016	2017	Change % 2016-2017
Volume	180.4	163.6	171.4	4.8%
Domestic market	134.5	123.6	126.4	2.2%
Exports	45.9	40.0	45.0	12.5%

R\$	2015	2016	2017	Change, 2016-2017
Gross revenue per pair	14.58	15.18	15.92	4.9%
Domestic market	14.12	15.13	16.67	10.2%
Exports	15.91	15.33	13.81	(9.9%)
<i>Exports, US\$</i>	<i>4.78</i>	<i>4.39</i>	<i>4.33</i>	<i>(1.4%)</i>

Net sales revenue

R\$ million	2015	2016	2017	Change % 2016-2017
Gross sales revenue	2,631.8	2,483.0	2,727.7	9.9%
Domestic market	1,899.8	1,870.3	2,106.6	12.6%
Exports	732.0	612.7	621.1	1.4%
Sales deductions	(429.0)	(437.9)	(475.7)	8.6%
Returns and taxes on sales	(336.4)	(346.7)	(372.6)	7.5%
Discounts granted to customers	(92.6)	(91.2)	(103.1)	13.0%
Net sales revenue	2,202.8	2,045.1	2,252.0	10.1%

Cost of goods sold (COGS)

In recent years, with all the FX volatility, increase in the minimum wage and inflationary pressures in Brazil, our unit cost has grown at the rate of 3.3% p.a. (CAGR from 2015 through 2017), much lower than the inflation rates in the period and lower than the 4.5% p.a. growth in gross revenue per pair. Over the period 2015-2017, COGS grew at 0.7% p.a., less than the growth of 1.1% p.a. in net revenue.

Cost discipline has played a fundamental role in our results.

R\$ million	2015	2016	2017	Change % 2016-2017
COGS	1,134.9	1,048.6	1,151.2	9.8%
R\$	2015	2016	2017	Change % 2016-2017
COGS per pair	6.29	6.41	6.71	4.7%

Gross profit

Gross profit accompanied the recovery in revenue – growing 10.5% YoY in 2017, with gross margin up 0.2 p.p. in the year. It has been a significant achievement that we have kept our gross margin above 48% – and broken one more record for gross margin this year, in a context of depressed consumption and increased taxes. This has been made possible by our considerable efforts in productivity, which has made our operation more robust and resilient.

10.2 – Operational profit and Financial revenue (expenses)

In our opinion, the major highlight of Grendene in recent years has been its industrial performance. In spite of the pressures of adverse macroeconomic situations, inflation, wage policy, higher taxes and the exchange rate, we have successively increased our gross margins and ensured good results.

R\$ million	2015	2016	2017	Change % 2016-2017
Gross profit	1,067.9	996.5	1,100.8	10.5%
Gross margin	48.5%	48.7%	48.9%	0.2 p.p.

Operational expenses (SG&A)**Selling expenses**

Selling expenses were slightly lower than in the previous year. Over the period, Grendene's selling expenses have remained around 24% of net revenue, and are predominantly variable such as freight, licensings, commissions, advertising and marketing.

R\$ million	2015	2016	2017	Change 2016-17
Selling expenses	523.7	490.6	525.8	7.2%
% of net sales revenue	23.8%	24.0%	23.3%	(0.7 p.p.)

Advertising expenses

Expenses on advertising and marketing as a percentage of net revenue were slightly lower:

R\$ million	2015	2016	2017	Change 2016-17
Advertising expenses (a)	148.9	125.9	125.6	0.3%
% of net sales revenue	6.8%	6.1%	5.6%	(0.5 p.p.)
Strategic brand projects (b)	6.7	9.7	7.6	4.0%
Total (a + b)	155.6	132.5	133.2	0.5%
% of net sales revenue	7.1%	6.5%	5.9%	(0.6 p.p.)

General and administrative expenses (G&A)

General and administrative expenses were 6.3% lower in 2017 than 2016, and were 4.1% of net revenue – still higher than the ratio that we had aimed for.

R\$ million	2015	2016	2017	Change 2016-17
G&A expenses	101.7	97.5	91.3	(6.3%)
% of net sales revenue	4.6%	4.8%	4.1%	(0.7 p.p.)

Net financial revenue (expenses)

The Company has a solid cash position, and its financial revenues are an important part of its net profit. The aim of foreign exchange transactions is hedging, mainly of receivables from exports. In these transactions Grendene is vendor of dollars, and the objective is for their net result in the long term to be very close to zero. Thus the result of Financial revenue (expenses) is basically influenced by the interest rate (Selic), and the average level of cash held by the Company.

In 2017 we report net financial revenues of R\$ 238.5 mn. This is 11.2% less than in 2016, as a result of the major fall in interest rates in the Brazilian economy in the year, as shown:

R\$ million	2015	2016	2017	Change 2016-17
Financial revenues	421.3	396.7	312.5	(21.2%)
Interest received from clients	2.9	2.2	2.2	2.9%
Revenue from FX derivatives – BM&FBovespa	66.3	49.1	30.0	(38.9%)
Revenue from cash investments	168.2	207.7	169.8	(18.3%)
Gains on FX variation	118.8	69.7	34.5	(50.5%)
Adjustments to present value (AVP)	61.0	64.7	73.0	12.8%
Other financial revenues	4.1	3.3	3.0	(8.0%)

10.2 – Operational profit and Financial revenue (expenses)

R\$ million	2015	2016	2017	Change 2016–16
Financial expenses	(239.0)	(128.2)	(74.0)	(42.2%)
Operational expenses on FX derivatives – BM&FBovespa	(123.6)	(11.6)	(19.8)	71.3%
Cost of financings	(20.5)	(18.3)	(10.9)	(40.8%)
Expenses of FX variation	(80.3)	(82.4)	(31.2)	(62.1%)
Cofins and PIS taxes on Financial revenues	(5.0)	(11.0)	(8.3)	(23.9%)
Other financial expenses	(9.6)	(4.9)	(3.8)	(23.2%)
Net financial revenue (expenses)	182.3	268.5	238.5	(11.2%)

In the consolidated financial statements discounts given to clients are classified as deductions from sales.

Net profit

In the last three years net profit has grown at a CAGR of 9.5% p.a., with increase in all the Company's margins: gross margin (0.4 p.p.), operational margin (2.5 p.p.) and net margin (4.3 p.p.). In 2017, with the lower Financial revenue (expenses), even with the 16.5% increase in Ebit, net margin fell by 1.7 p.p., to 29.3%.

R\$ million	2015	2016	2017	Change 2017-2016
Net profit	551.2	634.5	660.9	4.2%
Net margin	25.0%	31.0%	29.3%	(1.7 p.p.)

b. Changes in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

Our operational revenues are affected by changes in volumes of pairs sold, gross revenue per pair, and, for exports, the exchange rate. The impacts of these items are shown in these tables:

Gross revenue (R\$ '000)	2015	2016	Change, 2015–16		2017	Change, 2016–17	
	R\$	R\$	R\$	%	R\$	R\$	%
Domestic market	1,899,226	1,870,373	(28,853)	(1.5%)	2,106,549	236,176	12.6%
Exports	730,761	612,665	(118,096)	(16.2%)	621,126	8,461	4.1%
Exports US\$	219,349	175,498	(43,851)	(20.0%)	194,588	19,090	10.9%
Total	2,629,987	2,483,038	(146,949)	(5.6%)	2,727,675	244,637	9.9%

Sales volume Thousands of pairs	2015	2016	Change, 2015–2016		2017	Change, 2016–2017	
			Pairs	%		Pairs	%
Domestic market	134,474	123,595	(10,879)	(8.1%)	126,375	2,780	2.2%
Exports	45,926	39,962	(5,964)	(13.0%)	44,971	5,009	12.5%
Total	180,400	163,557	(16,843)	(9.3%)	171,346	7,789	4.8%

Gross revenue per pair (R\$)	2015	2016	Change, 2015-2016		2017	Change, 2016-2017	
	R\$	R\$	R\$	%	R\$	R\$	%
Domestic market	14.12	15.13	1.01	7.2%	16.67	1.54	10.2%
Exports	15.91	15.33	(0.58)	(3.6%)	13.81	(1.52)	(9.9%)
Exports US\$	4.78	4.39	(0.39)	(8.2%)	4.33	(0.06)	(1.4%)
Total	14.58	15.18	0.60	4.1%	15.92	0.74	4.9%

**Changes, in Reais, in total gross revenue from sales in the domestic and export markets,
resulting from changes in volumes and gross revenue per pair**

2015 – 2016		2016 – 2017	
DM volume – (10,879 x R\$ 14.12)	(R\$ 153,648)	DM volume – (2,780 x R\$ 15.13)	R\$ 42,066
EXP volume – (5,964 x R\$ 15.91)	(R\$ 94,897)	EXP volume – (5,009 x 15.33)	R\$ 76,774
Change in revenue at 2015 prices	(R\$ 248,545)	Change in revenue at 2016 prices	R\$ 118,840
Change gross rev. per pair – DM – (R\$ 1.01 x 123,595)	R\$ 124,795	Change gross rev. per pair – DM – (R\$ 1.54 x 126,375)	R\$ 194,110
Change gross rev. per pair – EXP – (R\$ 0.58 x 39,962)	(R\$ 23,199)	Change gross rev. per pair – EXP – (R\$ 1.52 x 44,971)	(R\$ 68,313)
Change in revenue at 2016 volumes	R\$ 101,596	Change in revenue at 2017 volumes	R\$ 125,797
Total	(R\$ 146,949)	Total	R\$ 244,637

10.2 – Operational profit and Financial revenue (expenses)

Changes, in US\$, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and gross revenue per pair			
2015 – 2016		2016 – 2017	
EXP volume – (5,964 x US\$ 4.78)	(US\$ 28,485)	EXP volume – (5,009 x US\$ 4.39)	US\$ 21,998
Change in revenue at 2015 prices	(US\$ 28,485)	Change in revenue at 2016 prices	US\$ 21,998
Change gross rev. per pair – EXP – (R\$ 0.39 x 39,962)	(US\$ 15,366)	Change gross rev. per pair – EXP – (US\$ 0.06 x 44,971)	(US\$ 2,908)
Change in revenue at 2016 volumes	(US\$ 15,366)	Change in revenue at 2017 volumes	(US\$ 2,908)
Total	(US\$ 43,851)	Total	US\$ 19,090

The business model adopted by Grendene covers operation in markets affected by fashion, where the company, as a competitive differential, regularly presents a large quantity of new models in each period. Each model offered by the company is part of a collection the average life of which is between approximately 90 and 180 days. Thus, in a typical year between 95% and 98% of revenue comes from new products. The products are essentially manufactured under request from customers.

c. Impact of inflation, of the variation in prices of principal inputs and products, of the exchange rate and of interest rates, on the issuer's operational result and financial result

Hence, each quarter, Grendene presents new collections, proposing to the market a new basis of prices (for each new collection). In this business model, any changes in costs are passed through to final prices whenever demand for these products, and consumers' purchasing power, so permits. This being so, inflation affects our result, because it affects the income that the consumer has available for consumption of our products. Our principal inputs are commodity products that are usually priced in dollars in the international market.

The exchange rate influences our costs because it affects the prices in Reais of these commodity products when their prices are translated into Reais. However this is not a linear relationship, since the price of commodity products in dollars fluctuates in accordance with supply and demand in the international market; and also when the Brazilian Real appreciates, the price of commodity products in Reais becomes cheaper – although in these cases there is usually also a change in the price of the commodity products in dollars compensating a part of this effect. At the same time, the exchange rate affects our exports, since the great majority of our costs are in Reais.

Interest rates do not affect the Company's operational result: they only affect the line Financial revenue (expenses). The Company keeps a significant balance in cash and cash equivalents and financial investments (short- and long term) – that on December 31, 2017 was R\$ 1,780.6 million (R\$ 1,589.4 on December 31, 2016 and R\$ 1,281.9 million on December 31, 2015). These funds, basically, are invested in the financial markets, yielding interest at rates close to the Selic rate. Any changes in interest rates in the market will affect the remuneration of these funds.

Indirectly raising the interest rate may affect the purchasing power of our customers.

The table below shows the changes for the items listed:

	2015	2016	Change % 2015–16	2017	Change % 2016–17
Gross revenue per pair – DM – R\$	R\$ 14.12	R\$ 15.13	7.2%	R\$ 16.67	10.2%
Gross revenue per pair – EXP – R\$	R\$ 15.91	R\$ 15.33	(3.6%)	R\$ 13.81	(9.9%)
Gross revenue per pair – EXP – US\$	US\$4.78	US\$4.39	(8.2%)	US\$4.33	(1.4%)
Gross revenue total – R\$	R\$ 14.58	R\$ 15.18	4.1%	R\$ 15.92	4.9%
COGS per pair – R\$	R\$ 6.29	R\$ 6.41	1.9%	R\$ 6.71	4.7%
FX rate – R\$ / US\$, end of the year	R\$ 3.9048	R\$ 3.2591	(16.5%)	R\$ 3.3080	1.5%
FX rate – R\$ / US\$, average of the year	R\$ 3.3315	R\$ 3.4901	4.8%	R\$ 3.1920	(8.5%)
IGP-M inflation index			7.1907%		0.5326%
IPCA inflation index			6.2881%		2.9473%

10.3 – Events with material effects on the financial statements – past, or expected

a. Introduction or disposal of an operational segment

In 2015, 2016 and 2017 there was no introduction or disposal of any operational segment in our activities that caused, or is expected to cause in the future, any significant effect on the Company's financial statements or results.

b. Constitution, acquisition or disposal of a stockholding interest

In 2015 and 2017 we did not constitute, acquire or dispose of any materially significant stockholding interest that has caused a material effect on the Company's financial statements or results.

In 2016 Grendene acquired the shares in the subsidiary A3NP Indústria e Comércio de Móveis S.A. from its other partners, by immaterial value, thus becoming holder of 100% of the share capital of that company.

c. Non-usual events or operations

We provisioned as a loss the total of our investments in that company, resulting in an accounting effect of R\$ 52 million in 2015 business year, since we cannot guarantee that there will be investors interested in our equity holding in that company. This loss has no effect on cash in the year, nor in the future, and is non-recurring.

In 2016 and 2017, there were no non-usual events or operations in relation to the Company and/or its activities.

10.4 - Significant changes in accounting practices – Qualifications or emphases in Auditors' Opinion

a. Significant changes in accounting practices

There were no changes, from the financial statements of December 31, 2015 and 2016, to 2017, in the accounting policies and method of measurement adopted in the preparation of the individual and consolidated financial statements.

The Company's individual and financial statements were prepared based on accounting practices adopted in Brazil and rules of the Brazilian Securities Commission (CVM), obeying the accounting guidelines arising from the Corporate Law (Law 6404/76) and also in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and evidence all the relevant information of the financial statements, and only that information, which are consistent with those used by management in its management.

The Company has adopted all the rules, revisions of rules and interpretations issued by IASB which are in effect for the financial statements at December 31, 2015, 2016 and 2017.

On December 31, 2015, 2016 and 2017 there were no non-current assets held for sale, nor discontinued operations.

Standards and interpretations of standards not yet in effect

These are the only rules and interpretations issued which have not yet been adopted and which might, in the opinion of Management, have a significant effect on the profit or net equity disclosed by the Company.

The standards that will be in effect for the year beginning January 1, 2018 are as follows:

IFRS 9 – Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 – Financial instruments (CPC 48 – Instrumentos Financeiros), which replaces IAS 39 – Financial Instruments: Recognition and Measurement and all prior versions of IFRS 9. IFRS 9, which is effective for accounting periods beginning on or after January 1, 2018, brings together three aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

IFRS 15 – Revenue from contracts with customers: IFRS 15 (CPC 47 – Revenue from contracts with customers), issued in May 2014 and altered in April 2016, establishes a five step model for accounting for revenues arising from contracts with clients. Under IFRS 15, revenue is recognized at an amount which reflects the consideration to which an entity expects to be entitled in exchange for transfer of goods or services to a client.

IFRS 2 – Share-based payment – Alteration to IFRS 2: The IASB issued alterations to IFRS 2 – Share-based payment – relating to 3 main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for accounting periods beginning on or after January 1, 2018. The Company plans to adopt the new form on the effective date, and does not foresee any significant impact on its financial statements arising from these changes.

There are no other rules and interpretations issued and not yet adopted which, in the opinion of Management, could have a material effect on the profit or net equity reported by the Company.

b. Significant effects of the changes in accounting practices

In the opinion of Management, there are no other rules or interpretations issued and not yet adopted that might have a significant impact on the Company's published net profit or equity position.

c. Qualifications or emphases in the Auditor's Opinion

There are no qualifications or emphases in the Auditor's Opinion.

10.5 – Critical accounting policies

The main assumptions related to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the end of the reporting period, involving a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial period, are presented below.

Impairment of non-financial assets: An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available information on sales of similar assets or market prices, reduced of costs incurred to carry out the sale. The value-in-use calculation is based on the discounted cash flow model. Cash flows derive from estimates of results for the following five periods and do not include restructuring activities to which the Company is not yet committed or significant future investments that will improve the asset base of the cash generating unit subject to test. The recoverable amount is influenced by the discount rate used under the discounted cash flow method, as well as by the expected future cash receipts and the growth rate used for extrapolation purposes.

Taxes: Tax regulations in Brazil are complex, which raises uncertainties as to their interpretation and to the amount and timing of future taxable profits. Accordingly, any differences between actual results and assumptions adopted, or future changes in these assumptions, could require future adjustments to tax credits and expenses already recognized. The Company did not recognize a provision in this respect based on several factors, such as experience of past tax audits, diverging interpretations of tax regulations, and systematic assessments carried out jointly by the Company's management and its tax advisors.

Fair value of financial instruments: When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method. The data for these methods are based on those practiced in the market, whenever possible. However, when this is not possible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on data utilized, such as liquidity risk, credit risk and volatility. Changes in assumptions concerning these factors could affect the reported fair value of the financial instruments.

Provisions for labor, tax and civil risks: The assessment of the likelihood of loss includes evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation periods, conclusions arising from tax audits or additional exposures identified based on new issues or court decisions.

Other significant items subject to estimates include: the selection of useful lives of property, plant and equipment and intangible assets; estimated losses on doubtful receivables; punctuality discounts estimated; estimated losses for obsolete inventory; deferred income tax and social contribution; rates and periods used to determine the present value adjustment of certain assets and liabilities; fair value of share-based payment; and financial instrument sensitivity analyses.

10.6 – Material items not evidenced in the financial statements

a. Assets and liabilities held by the Issuer, directly or indirectly, that do not appear in its balance sheet (off-balance sheet items), such as:

i) Operational leasing transactions, as lessor or lessee

Not applicable

ii) Portfolios of receivables written off on which the entity maintains risks and responsibilities, including respective liabilities

Not applicable

iii) Contracts for future purchase and sale of products or services

Not applicable

iv) Construction contracts that have not been terminated

Not applicable

v) Contracts for future receipts of financings

Not applicable

b. Other items not evidenced in the financial statements

The Company does not maintain any operations, transactions, contracts, obligations or other types of commitments with subsidiaries that are not consolidated or other transactions capable of generating a significant effect, in the present or the future, on its financial situation, and/or changes in its financial situation, revenues or expenses, operational results, liquidity, capital expenditure or capital resources that are not recorded in its Statement of financial position (Balance sheet).

10.7 - Comments on the items not evidenced in the financial statements

There are no other material items that are not evidenced in our financial statements.

- a. How such items changed or could change the revenue, expenses, operational result, financial expenses or other items of the financial statements of the Issuer**

Not applicable

- b. The nature and purpose of the transaction**

Not applicable

- c. The nature and amount of the obligations assumed and of the rights generated in favor of the Issuer as a result of the transaction**

Not applicable

10.8 – Business plan**a. Capital expenditure, including:****i) Quantitative and qualitative description of the investments in progress, and of the investments foreseen**

On December 31, 2015, 2016 and 2017 the largest investments were in maintenance of industrial buildings, replacement of fixed assets, and acquisition of new equipment for modernization of the manufacturing plant and better efficiency of production.

This table shows the investments in the respective years:

R\$ million	2015	2016	2017	Change % 2016–17
Capital expenditure (Fixed and intangible)	73.2	71.5	107.5	50.4%

In 2018 our forecast is investment of R\$ 110 and R\$ 120 million in maintenance of our production capacity.

The quantitative and qualitative descriptions of the investments in progress and of the investments planned are given in items 10.8.b and 10.8.c.

ii) Sources of financing of the investments

The Company is in a position to finance all the investments with its own funds.

iii) Significant disinvestments in progress, and disinvestments planned

In 2017, we closed down our own distribution operation in Argentina, and now distribute through third parties, as in other countries. Also in 2017, our subsidiary operating in the furniture business sold all its assets, paid its liabilities and closed its operations in Italy. In a subsequent event, at the beginning of 2018 the company A3NP, a wholly-owned subsidiary of Grendene S.A. which had been formed to operate in the furniture sector, was sold (pursuant to a decision by the Executive Board taken at a meeting held on February 21, 2018 and authorization for sale given by the Board of Directors at its meeting of February 25, 2016, when the total loss of this investment was recognized by the company, as previously reported) for an insignificant amount, and without any impact on the Company's consolidated results.

b. Provided they have been published, indicate the acquisition of plants, equipment, patents or other assets that are expected to materially influence the issuer's productive capacity

We do not have any plans for acquisition of industrial plant, equipment, patents or other assets that are likely materially to influence our productive capacity.

c. New products and services, indicating:

Grendene operates in the sector of footwear, with strong components of fashion, and its business model is similar to that which is known in the market as 'fast fashion', which consists of launch of many products in a year, comprising various collections. Thus, Grendene's portfolio of products is entirely renewed with each successive period of 90 to 180 days.

To guarantee the success and acceptance of these collections Grendene continually accompanies the market, keeping close communication with the points of sale, and carries out market research with the target consumers on its proposals for launches. Participation in many Brazilian and international fairs, where the reactions of purchasers in relation to the products can be observed and tested, is also a part of this effort.

i) Description of research in progress already published

Grendene does not disclose work in progress, due to the characteristics of its business, but shows the result in the form of products in its launches, which usually take place during participations in fairs and events.

10.8 – Business plan

ii) Total amounts spent by the issuer in research for development of new products or services

R\$ million	2015	2016	2017	Change % 2016-17
Investment in research for development of new products	49.5	52.1	54.6	4.7%

iii) Projects in development already disclosed

See items 10.8.b and 10.8.c.

iv) Total amounts spent by the issuer in development of new products or services

We do not distinguish these expenses from those presented in item 10.8.c.ii.

10.9 - Other factors with material influence

There are no other factors that significantly influenced the operational performance and which have not been identified or commented on in the other items of this section.

11.1 - Guidance forecasts and assumptions

For the full year, both gross revenue and net profit were slightly below the band indicated by our long-term expectations (for a nine-year period), as follows:

Performance: CAGR (compound average growth rate), 2008–2017:

R\$ million	2008	2009	2010	2011	2012	2013	2014*	2015*	2016	2017	CAGR
Gross revenue	1,576.0	1,819.4	1,998.6	1,831.6	2,324.5	2,711.4	2,719.4	2,630.0	2,483.0	2,727.7	6.3%
Y-o-Y change		15.4%	9.9%	(8.4%)	26.9%	16.6%	0.3%	(3.3%)	(5.6%)	9.9%	
Net profit	239.4	272.2	312.4	305.4	429.0	433.5	493.7	603.0	634.5	660.9	11.9%
Y-o-Y change		13.7%	14.8%	(2.2%)	40.5%	1.1%	13.9%	22.1%	5.2%	4.2%	

* Figures adjusted to exclude non-recurring effect in A3NP.

R\$ million	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Advertising exp.	107.6	116.1	127.1	138.7	147.0	163.7	169.2	148.9	122.8	125.6	1.7%
% of Net revenue	8.6%	8.0%	7.9%	9.4%	7.8%	7.5%	7.6%	6.8%	6.0%	5.6%	

In 2008 we published the following parameters as our targets for a period spanning ten years – 2008 to 2018:

- Gross revenue: Compound average growth rate (CAGR) between 8% and 12%.
- Net profit: CAGR between 12% and 15%.
- Advertising expenses: Average of 8% to 10% of net revenue over this period.

In the ninth of these 10 years, we see CAGR for gross revenue of 6.3% p.a., and CAGR for net profit of 11.9% p.a. The CAGR of Ebit from 2008 through 2017 was 12.2% p.a.; and CAGR of dividends was 14.8% p.a. In this period, the return on stockholders' equity averaged 23.2% p.a.

In our opinion our operational execution to achieve these expected levels has been very good, and although the growth has been slightly lower than expected we consider the results to be successful, in view of the long period we gave for our target (10 years); and the considerable economic turbulence Brazil has suffered in the period. In spite of those difficulties, taking into account the transparency that we always seek to uphold in our communications with the market, starting in 2015 we already stated that there was a risk of not meeting the targets, due to the economic outlook that we could see at the time.

To meet our targets for the end of the 10-year period – to achieve the minimum levels of the bands indicated for these variables – gross revenue in 2018 would have to be between R\$ 3.4 billion and R\$ 4.9 billion, and net profit would have to be between R\$ 743mn and R\$ 968mn – representing YoY growth of 24.7% and 12.4% respectively – which we now believe will probably not happen. This is indicated in the charts below.

For revenue growth at this percentage the market conditions must be much better than those we expect to face in 2018. We expect some recovery in the market, but we do not expect to see a recovery to 2013 levels before the end of this current year – and this makes it unlikely, in our view, that we will succeed in generating gross revenue in 2018 within the band of figures that we stated in 2008 for the 10-year target.

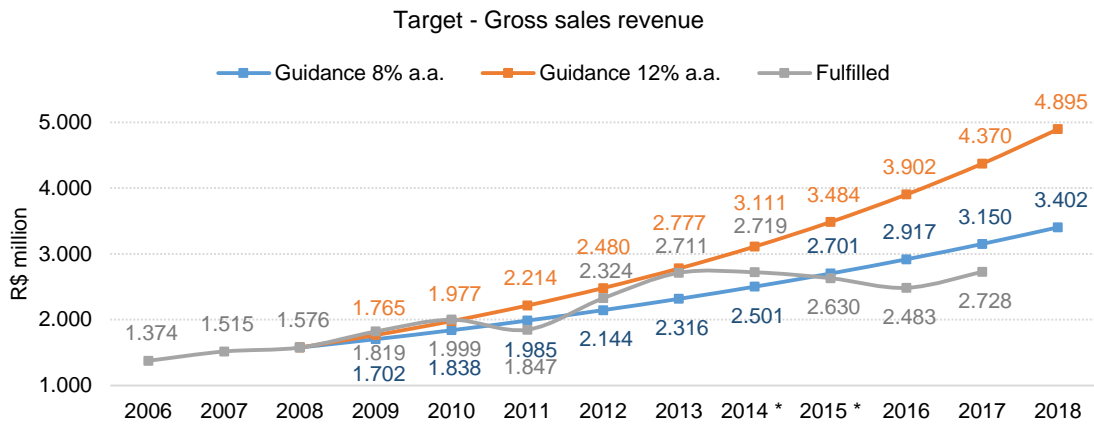
At the same time, continuing low interest rates means lower net financial revenues – which are thus less likely to help us achieve growth in net profit on the scale necessary to achieve that target. We do expect improvement in operational results; but not enough to make up for the low growth in net financial revenue – and provide the 12.4% YoY growth in net profit that would be necessary to bring us within the target for the last year of the period. These numbers, in our assessment, could be within the range of the possible – but we would not say they are probable.

For the whole of this period we have had some years with low interest rates – but strong growth of consumption in Brazil; and some years with recession, but very high interest rates. 2017 was not a case of the latter, and we do not expect 2018 to be. For this year, we expect modest recovery in consumption; and very low interest rates. In that scenario, we would expect to have very low growth, or even reduction, in our net financial revenue, and higher growth in the operational result, but we would expect it to be unlikely that YoY net profit growth would reach two digits.

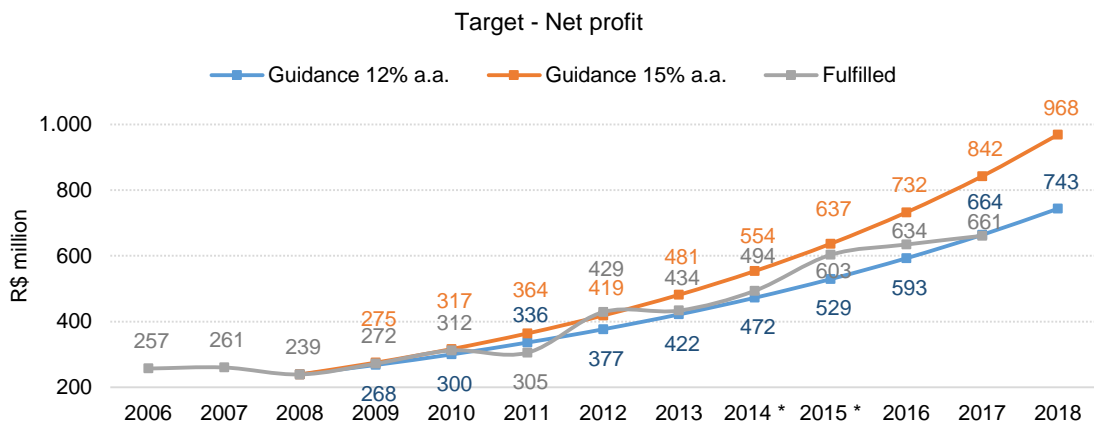
Also, we are expecting an increase in operational expenses, possibly of as much as 1% (beyond normal growth), to adapt to the new rules of the *Novo Mercado*, and the Brazilian Corporate Governance Code. On the other hand, possibly not all of this increase will happen in 2018.

11.1 - Guidance forecasts and assumptions

The charts below show our guidance targets for gross revenue and net profit for 2008-2018 – and performance up to and including 2017.



* 2014 e 2015 - Figures adjusted to exclude non-recurring effect in A3NP.



* 2014 e 2015 - Figures adjusted to exclude non-recurring effect in A3NP.

Appendix III

Allocation of Net Profit

DEMONSTRATION OF THE PROPOSAL FOR ALLOCATION OF NET PROFIT – APPENDIX 9-1 II CVM INSTRUCTION 481/2009

In R\$	2015	2016	2017
Net profit for the year (a)	551,223,335.75	634,491,601.48	660,928,515.86
Reserve for tax incentives	(271,634,996.27)	(264,614,866.54)	(253,689,966.35)
Basis for calculation of the legal reserve (b)	279,588,339.48	369,876,734.94	407,238,549.51
Legal reserve – 5% (c)	(13,979,416.99)	(18,493,836.74)	(20,361,927.47)
Basis for calculation of the obligatory dividend (b – c) = d	265,608,922.49	351,382,898.20	386,876,622.04
<i>Obligatory dividend – 25%</i>	66,402,230.62	87,845,724.55	96,719,155.51
Reserve for acquisition of shares (Stock Options)	0.00	0.00	(9,103,478.70)
Sum (e)	0.00	0.00	(9,103,478.70)
Dividends relating to the profit of the business year (d – e) = (f)	265,608,922.49	351,382,898.20	377,773,143.34
Resersal of reserve (Reflecting an equal reserve made in subsidiary)	10,316,725.47	0.00	0.00
Sum (g)	10,316,725.47	0.00	0.00
Amount of the dividends proposed by management (f – g) = (h)	275,925,647.96	351,382,898.20	377,773,143.34
Obligatory dividend – 25%	66,402,230.62	87,845,724.55	96,719,155.51
Dividend in excess of the obligatory minimum for the business year	199,206,691.87	263,537,173.65	281,053,987.83
Dividend originating from reserval of a reserve	10,316,725.47	0.00	0.00
Total of dividends proposed by management	275,925,647.96	351,382,898.20	377,773,143.34
Dividends distributed in advance	165,031,505.86	172,789,040.29	198,143,143.34
Interest on Equity (I.E.) distributed in advance (Gross)	0.00	30,000,000.00	30,000,000.00
Additional dividend proposed	10,894,142.10	18,593,857.91	19,630,000.00
I.E. proposed (Net of tax: R\$ 85,000,000.00 in 2015 / R\$ 110,500,000.00 in 2016 / R\$ 110,500,000.00 in 2017)	100,000,000.00	130,000,000.00	130,000,000.00
Total of dividends distributed	275,925,647.96	351,382,898.20	377,773,143.34
Value of the dividend distributed, per share	0.585133484	0.636430054	0.724188991
Gross value of the I. E., per share (Net of tax: R\$ 0.282654961 in 2015 / R\$ 0.452257155 in 2016 / R\$ 0.452250065 in 2017)	0.332535249	0.532157481	0.532058900
Sum of dividend and I.E., per share (Net of tax: R\$ 0.867788445 in 2015 / R\$ 1.088674303 in 2016 / R\$ 1.176439056 in 2017)	0.917668733	1.168484390	1.256247891
% of the dividend and I.E. (Gross) distributed in relation to:			
- Net profit for the business year	50.1%	55.4%	57.2%
- Net profit for the business year after constitution of the legal reserve (h ÷ (a – c))	51.4%	57.0%	59.0%

(*) Reserve for acquisition of shares – see item 14, sub-clause “a” and “b”.

1. State the net profit for the business year

In 2017 the net profit for the business year was R\$ 660,928,515.86 (six hundred and sixty million, nine hundred and twenty eight thousand, five hundred and fifteen reais and eighty six cents).

2. Informar o montante global e o valor por ação dos dividendos, incluindo dividendos antecipados e juros sobre capital próprio já declarados

In 2017 the global amount of the dividend: Gross amount R\$ 377,773,143.34, corresponding R\$ 1,256247891 per share (Net value R\$ 353.773,143.34, corresponding to R\$ 1,176439056 per share) for the business year, distributed as follows:

- a) **Dividend and Interest on Equity paid previously** (see table below), in the amount of R\$ 228.143.143,34, and;
- b) **In the form of Interest on Equity** – calculated as part of the total value of dividends, subject to the limits in Article 9, §7, of Law 9249/95: The gross amount of R\$ 130,000,000.00, corresponding to gross value per share of R\$ 0,432295823; resulting in net payment, after deduction of 15% withholding income tax at source, of R\$ 110,500,000.00, this net amount represents net value per share of R\$ 0,367451450.

The Company requests that shareholders, companies and/or entities not subject to withholding income tax submit the documentation to the Company located at Av. Pedro Grendene, 131 – Bairro Volta Grande – Farroupilha – RS -, CEP 95180-000, care the Investor Relations Department, by May 7, 2018, and;

- c) **In the form of dividends** – Complementary dividend of R\$ 19,630,000.00, or R\$ 0.065276669 per share. This amount will not be subject to any remuneration or monetary updating, nor any withholding tax.

The amounts mentioned above (2017) and corresponding to 2015 and 2016 are shown in the table - Appendix II – Allocation of Net profit.

The table below shows the dividend and Interest on Equity, per share, approved by the Board of Directors:

Proceeds in cash for results from fiscal year ending on December 31, 2017								
(Dividends were approved "ad referendum" the OGM the considers the balance sheet and income statement for the business year)								
Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R\$	Gross value R\$, per share	Net amount R\$	Net value R\$, per share
Dividend	04/27/17	05/03/17	05/17/17	Credit in the current account of the shareholder	69,078,060.63	0.229714663	69,078,060.63	0.229714663
I.E.	04/27/17	05/03/17	05/17/17		30,000,000.00	0.099763077	25,500,000.00	0.084798615
Dividend	07/27/17	08/04/17	08/16/17		55,584,193.70	0.184841673	55,584,193.70	0.184841673
Dividend	10/26/17	11/07/17	11/22/17		73,480,889.01	0.244355986	73,480,889.01	0.244355986
Dividend	02/22/18	05/04/18	05/16/18		19,630,000.00	0.065276669	19,630,000.00	0.065276669
I.E.	02/22/18	05/04/18	05/16/18		130,000,000.00	0.432295823	110,500,000.00	0.367451450
Total R\$					377,773,143.34	1.256247891	353,773,143.34	1.176439056

3. State the percentage of net profit for the year distributed

In 2017 the percentage of dividends and Interest on Equity (Gross) distributed by the holding company in relation to the net profit for the business year was 57.2%, and 59.0%, of the net profit for the year, after constitution of the legal reserve. In 2016, these figures were 55.4% and 57.0%; and in 2015, they were 50.1% and 51.4%, respectively.

4. State the global amount and value per share of dividends distributed based on profit of prior years

Not applicable

5. State, after deduction of the interim dividends and Interest on Equity already declared:**a) The gross amount of dividend and Interest on Equity, stated separately, by share of each type and class**

Proposed only ratification of dividends approved in advance by the Company's Board of Directors (see item 2 above).

b) Form and timing of payment of dividends and Interest on Equity

In the 2017 business year see item 2 above.

c) Any instance of updating and interest on dividends or Interest on Equity

Not applicable

d) Date of declaration of payment of dividends and Interest on Equity used for identification of the stockholders that will have a right to receive it

In the 2017 business year see item 2 above.

6. If there has been a declaration of dividends or Interest on Equity based on profits ascertained in balance sheets drawn up six-monthly or more frequently**a) State the amount of the dividends or Interest on Equity already declared****b) State the date of the respective payments**

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R\$	Gross value R\$, per share	Net amount R\$	Net value R\$, per share
Dividend	04/23/15	04/28/15	05/13/15	Credit in the current account of the shareholder	67,384,476.90	0.224125602	67,384,476.90	0.224125602
Dividend	07/23/15	07/30/15	08/12/15		43,889,275.91	0.145978878	43,889,275.91	0.145978878
Dividend	10/22/15	10/29/15	11/11/15		53,757,753.05	0.178802141	53,757,753.05	0.178802141
Dividend	02/25/16	04/19/16	04/27/16		10,894,142.10	0.036226863	10,894,142.10	0.036226863
Interest on Equity	02/25/16	04/19/16	04/27/16		100,000,000.00	0.332535249	85,000,000.00	0.282654961
2015 - Total R\$					275,925,647.96	0.917668733	260,925,647.96	0.867788445

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R\$	Gross value R\$, per share	Net amount R\$	Net value R\$, per share
Dividend	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	51,190,824.65	0.170227536	51,190,824.65	0.170227536
I.E.	04/28/16	05/04/16	05/18/16		30,000,000.00	0.099760575	25,500,000.00	0.084796488
Dividend	07/28/16	08/03/16	08/17/16		45,505,162.63	0.151320706	45,505,162.63	0.151320706
Dividend	10/20/16	10/28/16	11/16/16		76,093,053.01	0.253036223	76,093,053.01	0.253036223
Dividend	02/16/17	04/13/17	04/26/17		18,593,857.91	0.061845589	18,593,857.91	0.061845589
I.E.	02/16/17	04/13/17	04/26/17		130,000,000.00	0.432396906	110,500,000.00	0.367537370
2016 - Total R\$					351,382,898.20	1.168484390	327,382,898.20	1.088674303

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R\$	Gross value R\$, per share	Net amount R\$	Net value R\$, per share
Dividend	04/27/17	05/03/17	05/17/17	Credit in the current account of the shareholder	69,078,060.63	0.229714663	69,078,060.63	0.229714663
I.E.	04/27/17	05/03/17	05/17/17		30,000,000.00	0.099763077	25,500,000.00	0.084798615
Dividend	07/27/17	08/04/17	08/16/17		55,584,193.70	0.184841673	55,584,193.70	0.184841673
Dividend	10/26/17	11/07/17	11/22/17		73,480,889.01	0.244355986	73,480,889.01	0.244355986
Dividend	02/22/18	05/04/18	05/16/18		19,630,000.00	0.065276669	19,630,000.00	0.065276669
I.E.	02/22/18	05/04/18	05/16/18		130,000,000.00	0.432295823	110,500,000.00	0.367451450
2017 - Total R\$					377,773,143.34	1.256247891	353,773,143.34	1.176439056

7. Provide a comparative table showing the following amounts per share for each share type and class:**a) Net profit for the business year and of the 3 (three) prior years****b) Dividend and Interest on Equity distributed in the 3 (three) previous years**

	2015	2016	2017
Share type and class	ON	ON	ON
Net profit for the business year R\$	551,223,335.75	634,491,601.48	660,928,515.86
Net profit per share R\$	1.8342	2.1101	2.1985
Dividends R\$	175,925,647.96	191,382,898.20	217,773,143.34
Dividends per share R\$	0.585133484	0.636417148	0.724188991
Gross Interest on Equity R\$	100,000,000.00	160,000,000.00	160,000,000.00
Net Interest on Equity R\$	85,000,000.00	136,000,000.00	136,000,000.00
Gross Interest on Equity per share R\$	0.332535249	0.532067242	0.532058900
Net Interest on Equity per share R\$	0.282654961	0.452257155	0.452250065

8. In the event that profits were allocated to the Legal reserve**a) State the amount allocated to the Legal reserve**

R\$	2015	2016	2017
Legal reserve	13,979,416.99	18,493,836.74	23,862,097.92

b) State the manner of calculation of the legal reserve, in detail

The amount allocated to the Legal reserve is constituted as 5% of: {Net profit for the business year, less the amount of tax incentives}, subject to its total at any time being limited to 20% of the share capital.

R\$	2015	2016	2017
Net profit for the business year	551,223,335.75	634,491,601.48	660,928,515.86
Tax incentives reserve	(271,634,996.27)	(264,614,866.54)	(253,689,966.35)
Basis for calculation	279,588,339.48	369,876,734.94	407,238,549.51
Legal reserve – 5%	13,979,416.99	18,493,836.74	20,361,927.47

9. If the company has preferred shares with the right to fixed or minimum dividends**a) Describe the form of calculation of the fixed or minimum dividends****b) State whether the profit for the business year is sufficient for full payment of the fixed or minimum dividends****c) Identify if any portion not paid is cumulative****d) Identify the global amount of the fixed or minimum dividend to be paid to each class of preferred shares****e) Identify the fixed or minimum dividends to be paid per preferred share of each class**

The Company does not have preferred shares.

10. In relation to the obligatory dividend**a) Describe the form of calculation specified in the Bylaws**

The Company's bylaws, approved on April 7, 2014, in the clauses reproduced below, define the form of calculation of the obligatory dividend:

Clause 32. The shareholders are entitled to an annual obligatory dividend equivalent to, at least, 25% (twenty five per cent) of the net profit for the year, less or augmented by the following amounts:

- 5% (five per cent) to constitute the legal reserve, until this reserve reaches the limits set by law; and
- an amount allocated for formation of reserves for contingencies, and reversal of such of those reserves as may have been formed in previous business years, As specified in article 195 of the corporate Law.

§1 The payment of the dividend referred to by this Clause is limited to the amount of the net profit for the business year that has been realized, and the difference is recorded in the Future Earnings Reserve. The profits recorded in the Future Earnings Reserve, when realized, if they have not been absorbed by losses in subsequent business years, shall be added to the first dividend declared after their realization.

§2 The General Meeting of Stockholders may, upon proposal from the Management Bodies, allocate a portion of the net profit for constitution and/or maintenance of a profits reserve arising under the By-laws, named the "Share Acquisition Reserve", the purpose of which shall be redemption, repurchase or acquisition of shares issued by the Company, for purposes that may include compliance with its obligations to deliver shares to participants exercising their options under the Company's Stock Options Plan, as approved by the Company. The Share Acquisition Reserve may be formed from up to 100% of the net profit that remains after the deductions made by obligation of law and the By-laws, and its balance shall be equal to a maximum of 20% of the Company's registered share capital. At the end of the business year, any remaining balance not used in this reserve may be used, for the same purpose, for the following business year if management decides this to be necessary, upon approval by the General Meeting of Stockholders and, if not used wholly or in part, such balance shall revert for payment of dividends. In the form specified in Article 198 of the Brazilian Corporate Law, allocation of profits for constitution of the Reserve for Acquisition of Shares may not be approved insurance such a way as to prejudice distribution of the obligatory dividend.

§3 The remaining profit shall be allocated in such manner as is approved by the General Meeting of Stockholders, in accordance with the proposal formulated by the Executive Board, subject to the applicable precepts of law, in particular Paragraph 6 of Article 202 of Law 6404/76.

Clause 33. By decision of the Executive Board, the Company may pay to its stockholders Interest on Equity, which shall be imputed against the obligatory dividend referred to in Clause 32, becoming, for all purposes, part of the amount of the dividends distributed by the Company.

§1 By decision of the Board of Directors, the Company may pay its stockholders dividends on account of retained earnings from previous years.

Clause 34. The Company may raise balance sheets at six-monthly, or quarterly, intervals, or more frequently, and may declare, by decision of the Board of Directors, dividends based on the profit ascertained in these financial statements, on account of the total to be distributed at the end of the respective business year, subject to the limitations specified by law. Dividends thus declared constitute advances against the obligatory dividend referred to in Clause 32.

§1 Dividends do not attract interest and if not claimed by any stockholder within a period of three years from the date of the decision for their distribution will revert in favor of the Company.

Clause 35. The General Meeting of Stockholders may, upon proposal by the Management Bodies, allocate to the Tax Incentive Reserve, in accordance with Article 195-A of Law 6404/76, as amended by Law 11638/2007, the portion of net profit arising from government donations or subsidies for investments, which may be excluded from the base of calculation of the obligatory dividend.

b) State whether it is being paid in full

Yes, the dividend has always been paid above the limit of 25% established by the Company's Bylaws (Clause 32), approved on April 7, 2014.

c) State any amount retained

There was no retention of the obligatory dividend in 2015, 2016 and 2017, as shown below:

R\$	2015	2016	2017
Obligatory dividend – 25%	66,402,230.62	87,845,724.55	96,719,155.51
Additional dividend	199,206,691.87	263,537,173.65	281,053,987.83
Total	265,608,922.49	351,382,898.20	377,773,143.34
Dividends referring earnings from prior years	10,316,725.47	0.00	0.00
Total dividends	275,925,647.96	351,382,898.20	377,773,143.34

11. If there has been retention of the obligatory dividend due to the company's financial situation

There was no retention of the obligatory dividend in 2015, 2016 and 2017.

- a. **State the amount of the retention**
- b. **Describe, in detail, the financial situation of the company, dealing also with aspects relating to analysis of liquidity, working capital and positive cash flows**
- c. **Justify the retention of the dividends**

12. If there has been allocation to contingency reserve

There was no allocation of income to contingency reserve.

- a. **Identify the amount allocated to the reserve**
- b. **Identify the loss considered probable and its cause**
- c. **Explain why the loss was considered probable**
- d. **Justify the constitution of the reserve**

13. If there has been allocation of profit to the future income reserve

There was no allocation of profit to the future income reserve.

- a. **State the amount allocated to the future income reserve**
- b. **State the nature of the non-realized profits that gave rise to the reserve**

14. If profits were allocated to the Reserve under the by-laws

- a. **Describe the clauses in the by-laws that establish the reserve**

Under Clause 32 §2 of the by-laws the general meeting of stockholders may, upon proposal by the management bodies, allocate part of the net profit to the constitution and/or maintenance of a profit reserve established under the by-laws named 'Reserve for acquisition of shares', the purpose of which is redemption, repurchase or acquisition of shares issued by the Company, including for compliance with its obligation to deliver shares to those participants in the Company's Stock Purchase Options Plan, approved by the Company, who exercise their shares. The Reserve for acquisition of shares may be formed from up to 100% of the net profit that remains after the deductions of the allocations to the legal reserve and any allocations under the by-laws, and its balance shall have a maximum limit of 20% of the share capital. At the end of the business year, any remaining balance of this reserve not utilized may be used, for the same purpose, for the next business year if the management deems this to be necessary, upon approval by the General Meeting of Stockholders and, if it is not used in whole or in part, the said balance shall be reverted to payment of dividends. As specified in Article 198 of the Corporate Law, allocation of profits to constitution of the Reserve for acquisition of shares may not be approved to the detriment of distribution of the obligatory dividend.

- b. **Identification of the amount allocated to the reserve**

R\$	2015	2016	2017
Balance of Reserve for acquisition of shares	0.00	0.00	9,103,478.70

- c. **Describe how the amount was calculated**

In 2018, a total of 702,996 options to subscribe shares will be exercisable. In 2019, there will be 680,426 options to buy or subscribe shares exercisable by the executives that are beneficiaries of the plans.

The Board of Directors believes that acquisition of the Company's common shares in the market is the best means of accommodating this purpose. For this reason the Company retained the further amount of R\$ 9,103,478.70 in the 2017 business year, which when added to the balance of reserve approved in the

business year 2014, of R\$ 14,758,619.22, results in a total of R\$ 23,862,097.92 for acquisition of shares to meet this objective.

15. If there was retention of profits specified in a capital budget:

a. Identify the amount of the retention

In 2015, 2016 and 2017 there was no retention of profits specified in a capital budget.

b. Supply a copy of the capital budget

In 2017 there was no retention of profit specified in a capital budget.

16. If profit was allocated to the tax incentive reserve:

a. Specify the amount allocated to the reserve

R\$	2015	2016	2017
Tax incentive reserve	271,634,996.27	264,614,866.54	253,689,966.35

b. Explain the nature of the allocation

R\$	2015	2016	2017
ICMS tax (Provin and Proapi)	195,588,653.22	188,830,352.77	167,824,441.03
Income tax (IRPJ)	76,046,343.05	75,784,513.77	85,865,525.32
Total	271,634,996.27	264,614,866.54	253,689,966.35

Appendix IV

Information about the Board of Directors

Under Clause 15 of the Company's By-laws, the Board of Directors is made up of at least 5 (five) and a maximum of 7 (seven) sitting members.

The proposal to the Ordinary General Meeting to be held on April 23, 2018 is the election of 6 (six) members, thus keeping the same number of members of the Board of Directors as are currently sworn in.

If there is no request for adoption of the process of multiple vote and the holders of shares with the right to vote do not exercise the right to elect separately, specified in Article 141, §4, of Law 6404/76, six members will be elected by majority vote to the Board of Directors of the Company, put forward by the controlling stockholders, as below.

If there is a request to activate the process of multiple vote, 6 (six) votes will be attributed to each share, and each shareholder will have the right to accumulate the votes in a single candidate or distribute them between various candidates, in accordance with Article 141 of Law 6404/76. When the request for adoption of the process of multiple vote has been received and it has been verified that it meets the provisions of Article 141 of Law 6404/76, the Company will publish, through the IPE System, the information that the election of the Board of Directors may be made by this method.

In accordance with Article 141, §7, of Law 6404/76, independently of the number of Board members that, according to the By-laws, comprises the Board of Directors, if the election of the Board of Directors takes place by the system of multiple vote and, at the same time, the holders of common shares exercise the prerogative of electing a member in accordance with Article 141, §4, of Law 6404/76, the controlling stockholder shall have the right to elect a number of Board members that is equal to the number of Board members elected by the other stockholders, plus one.

The candidates proposed (Alexandre Grendene Bartelle, Pedro Grendene Bartelle, Renato Ochman, Máilson Ferreira da Nóbrega, Oswaldo de Assis Filho and Walter Janssen Neto) are members of the current Board of Directors and are put forward by the controlling stockholders as Members of the Board of Directors for re-election at the Ordinary General Meeting of April 23, 2018 in accordance with Article 10 of CVM Instruction 481 of December 17, 2009.

12.5 - Composition and professional experience of management

Name:	Alexandre Grendene Bartelle
Date of birth:	January 23, 1950
Profession:	Industrial Entrepreneur
CPF or passport number:	098.675.970-87
Elected position proposed:	Chairman of the Board of Directors
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Chair of the Stock options program management committee
Elected by the controlling stockholder?	Yes
Independent member?	No
Criterion used by the Issuer to determine independence:	No
Consecutive periods of office	7 th nomination
Professional experience	
<p>Founder of the Company. Served as Chief Executive Officer until April 25, 2013, when he left the post to dedicate himself exclusively to the function of Chairman of the Board of Directors, which post he occupied from August 18, 2004. He has a law degree from the University of Caxias do Sul, in the Brazilian State of Rio Grande do Sul, and was one of the people responsible for the growth of the Company, with the development of innovative concepts, technology, products and design. At present Grendene S.A. has its central administrative office at Farroupilha, Rio Grande do Sul, footwear factories in the States of Ceará, Rio Grande do Sul and Bahia; and a mold-making plant at Farroupilha, Rio Grande do Sul, as well as subsidiary companies in Argentina, the United States, the United Kingdom and Italy as distributors of footwear.</p>	
Statement of any convictions	
<p>Mr. Alexandre Grendene Bartelle declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.5 - Composition and professional experience of management

Name:	Pedro Grendene Bartelle
Date of birth:	January 23, 1950
Profession:	Industrial Entrepreneur
CPF or passport number:	098.675.970-87
Elected position proposed:	Vice Chairman of the Board of Directors
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Member of the Stock options program management committee
Elected by the controlling stockholder?	Yes
Independent member?	No
Criterion used by the Issuer to determine independence:	No
Consecutive periods of office	7 th nomination
Professional experience	
<p>Founder of the Company. Served as Deputy CEO until April 25, 2013, when he left the post to dedicate himself exclusively to the function of Vice-Chair of the Board of Directors, which post he has occupied since August 18, 2004. He was one of the people responsible for the growth of the Company, with the development of innovative concepts, technology, products and design. At present Grendene S.A. has its central administrative office at Farroupilha, Rio Grande do Sul, footwear factories in the States of Ceará, Rio Grande do Sul and Bahia; and a mold-making plant at Farroupilha, Rio Grande do Sul, as well as subsidiary companies in Argentina, the United States, the United Kingdom and Italy as distributors of footwear.</p>	
Statement of any convictions	
<p>Mr. Pedro Grendene Bartelle declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.5 - Composition and professional experience of management

Name:	Renato Ochman
Date of birth:	February 21, 1960
Profession:	Lawyer
CPF or passport number:	375.739.690-15
Elected position proposed:	Member of the Board of Directors
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Member of the Stock options program management committee
Elected by the controlling stockholder?	Yes
Independent member?	No
Criterion used by the Issuer to determine independence:	No
Consecutive periods of office	7 th nomination
Professional experience	
<p>Mr. Renato Ochman is a lawyer, with a law degree from PUC University of Rio Grande do Sul, a Master's degree in commercial law from PUC University of São Paulo; Post-graduation in commercial law from PUC, São Paulo; is a partner in the law firm Ochman, Real Amadeo Advogados Associados with offices in São Paulo, São Paulo State and Porto Alegre, Rio Grande do Sul, an office specialized in corporate and stockholding law and the law of the capital markets, in consultancy, stockholding and civil litigation; in initial public offerings of companies; and in issuance of securities, and structuring of family succession, among other subjects. He is a visiting professor of courses at the GVLaw School of the Getúlio Vargas Foundation in São Paulo; member of the Council of the Graded School of São Paulo, and a member of the Brazilian Bar Association – in both the São Paulo and the Rio Grande do Sul Chapters.</p>	
Statement of any convictions	
<p>Mr. Renato Ochman declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.5 - Composition and professional experience of management

Name:	Maílson Ferreira da Nóbrega
Date of birth:	May 14, 1942
Profession:	Economist
CPF or passport number:	043.025.837-20
Elected position proposed:	Member of the Board of Directors
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Does not occupy any function in the Issuer.
Elected by the controlling stockholder?	Yes
Independent member?	No
Criterion used by the Issuer to determine independence:	No
Consecutive periods of office	7 th nomination
Professional experience	
<p>Mr. Maílson Ferreira da Nóbrega earned a degree in Economics from the Centro Universitário de Brasília (CEUB). He began his career in Banco do Brasil S.A., where he headed the rural and industrial lending sector of the branches in Paraíba State. After 14 years with Banco do Brasil, he was appointed Coordinator of Economic Affairs of the Trade and Industry Ministry (1977) and subsequently of the Coordination Department for Economic Affairs of the Finance Ministry (1979). He was twice Secretary-General of the Finance Ministry and, from 1988 to 1990 was Finance Minister, in which status he chaired various bodies, including the National Monetary Council (CMN), the National Private Insurance Council (CNSP) and the Tax Policy Council (Confaz). He participates in various social and business organizations. He is also a member of the Board of Directors of several companies in and outside Brazil. He has further acted as representative of the Brazilian government in various international events and bodies. He is the author of three books and of articles about the Brazilian economy published in Brazil and the rest of the world. Currently he writes a column in <i>Veja</i> magazine.</p>	
Statement of any convictions	
<p>Mr. Maílson Ferreira da Nóbrega declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.5 - Composition and professional experience of management

Name:	Oswaldo de Assis Filho
Date of birth:	February 11, 1950
Profession:	Business Admin. and Economist
CPF or passport number:	761.798.778-15
Elected position proposed:	Member of the Board of Directors
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Does not occupy any function in the Issuer.
Elected by the controlling stockholder?	Yes
Independent member?	No
Criterion used by the Issuer to determine independence:	No
Consecutive periods of office	7 th nomination
Professional experience	
<p>Mr. Oswaldo de Assis Filho earned a degree in Electronic Engineering from the Air Force Technological Institute (ITA) and a Master's degree in Economics from the Economics and Management Faculty of São Paulo University. From 1978 to 1983 he was a Director of Banco Mercantil de São Paulo. From 1984 to 1991 he was a partner of the brokerage Planibanc Corretora de Valores and from 1992 to 1994 was a partner of Convenção Corretora de Valores. In 1994 he became Deputy CEO of Banco Itamarati, and served in that post until 1996. In 1996 and 1997 he was Vice-President of Banco de Crédito Nacional (BCN), and in 1998 became a partner of Banco Pactual S.A., until 2006. He was Vice-Chairman of UBS Pactual from 2006 to 2009, and is currently a partner and Director of Banco BTGPactual.</p>	
Statement of any convictions	
<p>Mr. Oswaldo de Assis Filho declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.5 - Composition and professional experience of management

Name:	Walter Janssen Neto
Date of birth:	04/04/1956
Profession:	Board member
CPF or passport number:	248.808.509-00
Elected position proposed:	Independent Board Member
Date of election:	April 23, 2018
Date of swearing in:	April 23, 2018
Period of office:	2 years
Other positions held or functions exercised in the Issuer:	Does not occupy any function in the Issuer.
Elected by the controlling stockholder?	Yes
Independent member?	Yes
Criterion used by the Issuer to determine independence:	Criterion established by Article 16 of the Regulations of the Novo Mercado of B3 S.A. – Bolsa, Brasil, Balcão.
Consecutive periods of office	6 th nomination
Professional experience	
<p>Mr. Walter Janssen Neto has a degree in Economics and Accounting; Post-Graduation in Industrial Economics from the Federal University of Santa Catarina, and an Executive MBA from the Wharton School of Pennsylvania University. He has certification as a Professional Board Member from NACD (National Association of Corporate Directors) of the USA; specialization in Corporate Governance from Stanford University Law School, Chicago Business School and the Wharton School; he is a member of the Brazilian Corporate Governance Institute (IBGC). He was an executive of the WEG Group of Santa Catarina for 31 years, where he had the opportunity to serve in various executive positions in the areas of supplies, finance and sales. He was General Manager of the Business Unit, Chief Human Relations and Corporate Marketing Officer, and most recently Chairman of operations of the WEG Group in the USA, as well as being a member of the Board of Directors of various Brazilian companies.</p>	
Statement of any convictions	
<p>Mr. Walter Janssen Neto declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.6 - For each of the people who acted as members of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the same period, that have taken place after being sworn into the position

Members of the Board of Directors	% participation in meetings
Total meetings in 2017: 5	
Alexandre Grendene Bartelle	100.0%
Pedro Grendene Bartelle	100.0%
Maílson Ferreira da Nóbrega	100.0%
Oswaldo de Assis Filho	100.0%
Renato Ochman	100.0%
Walter Jansen Neto	100.0%

Members of the Board of Directors	% participation in meetings
Total meetings in 2016: 4	
Alexandre Grendene Bartelle	75.0%
Pedro Grendene Bartelle	100.0%
Maílson Ferreira da Nóbrega	75.0%
Oswaldo de Assis Filho	100.0%
Renato Ochman	100.0%
Walter Jansen Neto	100.0%

Members of the Board of Directors	% participation in meetings
Total meetings in 2015: 4	
Alexandre Grendene Bartelle	75.0%
Pedro Grendene Bartelle	100.0%
Maílson Ferreira da Nóbrega	75.0%
Oswaldo de Assis Filho	100.0%
Renato Ochman	100.0%
Walter Jansen Neto	100.0%

12.7 - Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and the remuneration committee, even if such committees or structures are not created by the Bylaws.

Name:	Alexandre Grendene Bartelle
CPF or passport number:	098.675.970-87
Date of birth:	January 23, 1950
Type of committee:	Stock options management committee
Position occupied:	Chair of the committee
Profession:	Industrial
Date of election:	February 12, 2015
Date of swearing in:	February 12, 2015
Period of office:	Indeterminate
Percentage participation in meetings:	100.0%
Number of consecutive periods of office:	1 (one)
Other positions and functions held in the issuer:	Chairman of the Board of Directors
Professional experience	
<p>Founder of the Company. Served as Chief Executive Officer until April 25, 2013, when he left the post to dedicate himself exclusively to the function of Chairman of the Board of Directors, which post he occupied from August 18, 2004. He has a law degree from the University of Caxias do Sul, in the Brazilian State of Rio Grande do Sul, and was one of the people responsible for the growth of the Company, with the development of innovative concepts, technology, products and design. At present Grendene S.A. has its central administrative office at Farroupilha, Rio Grande do Sul, footwear factories in the States of Ceará, Rio Grande do Sul and Bahia; and a mold-making plant at Farroupilha, Rio Grande do Sul, as well as subsidiary companies in Argentina, the United States, the United Kingdom and Italy as distributors of footwear.</p>	
Statement of any convictions	
<p>Mr. Alexandre Grendene Bartelle declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.7 - Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and the remuneration committee, even if such committees or structures are not created by the Bylaws.

Name:	Pedro Grendene Bartelle
CPF or passport number:	098.647.840-72
Date of birth:	January 23, 1950
Type of committee:	Stock options management committee
Position occupied:	Member of the committee
Profession:	Industrial
Date of election:	February 12, 2015
Date of swearing in:	February 12, 2015
Period of office:	Indeterminate
Percentage participation in meetings:	100.0%
Number of consecutive periods of office:	1 (one)
Other positions and functions held in the issuer:	Vice Chairman of the Board of Directors
Professional experience	
<p>Founder of the Company. Served as Deputy CEO until April 25, 2013, when he left the post to dedicate himself exclusively to the function of Vice-Chair of the Board of Directors, which post he has occupied since August 18, 2004. He was one of the people responsible for the growth of the Company, with the development of innovative concepts, technology, products and design. At present Grendene S.A. has its central administrative office at Farroupilha, Rio Grande do Sul, footwear factories in the States of Ceará, Rio Grande do Sul and Bahia; and a mold-making plant at Farroupilha, Rio Grande do Sul, as well as subsidiary companies in Argentina, the United States, the United Kingdom and Italy as distributors of footwear.</p>	
Statement of any convictions	
<p>Mr. Pedro Grendene Bartelle declares that he has not been accused of any crime that would prevent him from exercising the activities of the position for which he is being designated and that he does not occupy any post in companies that might be considered competitors in the market with the Company, and that he has no conflict of interest with the Company.</p>	

12.7 - Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and the remuneration committee, even if such committees or structures are not created by the Bylaws.

Name:	Renato Ochman
CPF or passport number:	375.739.690-15
Date of birth:	February 21, 1960
Type of committee:	Stock options management committee
Position occupied:	Member of the committee
Profession:	Lawyer
Date of election:	February 12, 2015
Date of swearing in:	February 12, 2015
Period of office:	Indeterminate
Percentage participation in meetings:	100.0%
Number of consecutive periods of office:	1 (one)
Other positions and functions held in the issuer:	Member of the Board of Directors
Professional experience	
<p>Mr. Renato Ochman is a lawyer, with a law degree from PUC University of Rio Grande do Sul, a Master's degree in commercial law from PUC University of São Paulo; Post-graduation in commercial law from PUC, São Paulo; is a partner in the law firm Ochman, Real Amadeo Advogados Associados with offices in São Paulo, São Paulo State and Porto Alegre, Rio Grande do Sul, an office specialized in corporate and stockholding law and the law of the capital markets, in consultancy, stockholding and civil litigation; in initial public offerings of companies; and in issuance of securities, and structuring of family succession, among other subjects. He is a visiting professor of courses at the GVLaw School of the Getúlio Vargas Foundation in São Paulo; member of the Council of the Graded School of São Paulo, and a member of the Brazilian Bar Association – in both the São Paulo and the Rio Grande do Sul Chapters.</p>	
Statement of any convictions	
<p>O Sr. Renato Ochman declara que não está incurso em qualquer delito que o impeça de exercer as atividades do cargo para o qual está sendo designado e, que não ocupa cargos em sociedades que possam ser consideradas concorrentes no mercado com a Companhia e que não tem interesse conflitante com a mesma.</p>	

12.8 - For each of the people who acted as members of the committees established under the by-laws, and the audit, risk, financial and remuneration committees, even if such committees are not required to exist under the bylaws, please state, in the form of a table, the percentage of participation in meetings held by each body in the same period, that have taken place after being sworn into the position.

Member of stock option management committee	% participation in meetings
Total meetings in 2017: 1	
Alexandre Grendene Bartelle	100.0%
Pedro Grendene Bartelle	100.0%
Renato Ochman	100.0%

Member of stock option management committee	% participation in meetings
Total meetings in 2016: 1	
Alexandre Grendene Bartelle	100.0%
Pedro Grendene Bartelle	100.0%
Renato Ochman	100.0%

Member of stock option management committee	% participation in meetings
Total meetings in 2015: 1	
Alexandre Grendene Bartelle	100.0%
Pedro Grendene Bartelle	100.0%
Renato Ochman	100.0%

12.9 - Existence of any conjugal relationship, stable union or family relationship up to second degree in relation to managers of the Issuer, subsidiaries and parent companies.

Name	Personal tax number (CPF)	Formal name of the Issuer, subsidiary or parent company.	CNPJ (Corporate Tax N°)	Type of family relationship with manager of the Issuer or subsidiary
Position				
<u>Manager of the Issuer or subsidiary</u>				
Alexandre Grendene Bartelle Chair of the Board of Directors	098.675.970-87	Grendene S.A.	89.850.341/0001-60	Brother or sister (first degree family relationship)
<u>Related party</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Alexandre Grendene Bartelle Chief Executive Officer	098.675.970-87	MHL Calçados Ltda	07.512.861/0001-06	Brother or sister (first degree family relationship)
<u>Related party</u>				
Pedro Grendene Bartelle Deputy CEO	098.647.840-72	MHL Calçados Ltda	07.512.861/0001-06	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	Brother or sister (first degree family relationship)
<u>Related party</u>				
Alexandre Grendene Bartelle Chair of the Board of Directors	098.675.970-87	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Deputy CEO	098.647.840-72	MHL Calçados Ltda	07.512.861/0001-06	Brother or sister (first degree family relationship)
<u>Related party</u>				
Alexandre Grendene Bartelle Chief Executive Officer	098.675.970-87	MHL Calçados Ltda	07.512.861/0001-06	
<u>Remarks</u>				

12.9 - Existence of any conjugal relationship, stable union or family relationship up to second degree in relation to managers of the Issuer, subsidiaries and parent companies.

Name	Personal tax number (CPF)	Formal name of the Issuer, subsidiary or parent company.	CNPJ (Corporate Tax N°)	Type of family relationship with manager of the Issuer or subsidiary
Position				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	Son or daughter (first degree family relationship)
<u>Related party</u>				
Giovana Bartelle Velloso Stockholder	685.957.780-00	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	Son or daughter (first degree family relationship)
<u>Related party</u>				
Pedro Bartelle Stockholder	685.957.430-53	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	Son or daughter (first degree family relationship)
<u>Related party</u>				
André de Camargo Bartelle Stockholder	354.047.748-94	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				
<u>Manager of the Issuer or subsidiary</u>				
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Grendene S.A.	89.850.341/0001-60	Son or daughter (first degree family relationship)
<u>Related party</u>				
Gabriella de Camargo Bartelle Stockholder	370.718.138-33	Grendene S.A.	89.850.341/0001-60	
<u>Remarks</u>				

12.10 - Relationships of subordination, provision of service or control between managers and subsidiaries, parent companies or others

Identification	Tax number (CPF / CNPJ)	Type of relationship between the manager and the related party	Type of related person
Position / Function			
Business year ending Dec. 31, 2017			
<u>Manager of the Issuer</u>			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
<u>Related party</u>			
Vulcabras Azaleia CE Calçados e Artigos Esportivos S.A. Controller Stockholder	00.954.394/0001-17		
<u>Remarks</u>			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 32 days.			
<u>Manager of the Issuer</u>			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Supplier
<u>Related party</u>			
Vulcabras Azaleia CE Calçados e Artigos Esportivos S.A. Controller Stockholder	00.954.394/0001-17		
<u>Remarks</u>			
Indemnity to representatives. The average period of receipt is approximately 2 days.			
<u>Manager of the Issuer</u>			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
<u>Related party</u>			
Vulcabras Azaleia BA Calçados e Artigos Esportivos S.A. Chair of the Board of Directors	00.733.658/0001-02		
<u>Remarks</u>			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 33 days.			
Business year ending Dec. 31, 2016			
<u>Manager of the Issuer</u>			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Supplier
<u>Related party</u>			
Vulcabras Azaleia CE Calçados e Artigos Esportivos S.A. Controller Stockholder	00.954.394/0001-17		
<u>Remarks</u>			
Purchases of services and referred to commissions. The average period of payment is approximately 11 days. / Trademark use license. The average period of payment is approximately 83 days.			
<u>Manager of the Issuer</u>			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Supplier
<u>Related party</u>			
Vulcabras Azaleia Argentina S.A. Controller Stockholder			
<u>Remarks</u>			
The transactions refer to purchases of input materials used in the production of footwear. The average period of payment is approximately 1 day.			

12.10 - Relationships of subordination, provision of service or control between managers and subsidiaries, parent companies or others

Identification	Tax number (CPF / CNPJ)	Type of relationship between the manager and the related party	Type of related person
Position / Function			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Distribuidora de Artigos Esportivos Ltda Controller Stockholder	08.193.994/0001-11		
Remarks			
The transactions refer to sales of shoes. The average period of receipt is approximately 85 days.			
Manager of the Issuer			
Alexandre Grendene Bartelle Chair of the Board of Directors	098.675.970-87	Control	Client
Related party			
Lagoa Clara Agrícola Ltda Chair of the Board of Directors	12.599.553/0001-91		
Remarks			
Recovery of expenses – average period of receipt 31 days / Purchase of fixed assets. Average period for receipt of payment 1 days.			
Business year ending Dec. 31, 2015			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Azaleia CE Calçados e Artigos Esportivos S.A. Controller Stockholder	00.954.394/0001-17		
Remarks			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 85 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Supplier
Related party			
Vulcabras Azaléia CE Calçados e Artigos Esportivos S.A. Controller Stockholder	00.954.394/0001-17		
Remarks			
Purchases of input materials used in the production of footwear. The average period of payment is approximately 31 days. / Trademark use license. The average period of payment is approximately 75 days. / Purchases of services and referred to commissions. The average period of payment is approximately 15 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Azaleia BA Calçados e Artigos Esportivos S.A. Controller Stockholder	00.733.658/0001-02		
Remarks			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 63 days.			

12.10 - Relationships of subordination, provision of service or control between managers and subsidiaries, parent companies or others

Identification	Tax number (CPF / CNPJ)	Type of relationship between the manager and the related party	Type of related person
Position / Function			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Azaleia RS Calçados e Artigos Esportivos S.A. Controller Stockholder	98.408.073/0001-11		
Remarks			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 81 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Azaleia Argentina S.A. Controller Stockholder			
Remarks			
The transactions refer to sales of input materials used in the production of footwear. The average period of receipt is approximately 114 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Supplier
Related party			
Vulcabras Azaleia Argentina S.A. Controller Stockholder			
Remarks			
Purchases of input materials used in the production of footwear. The average period of payment is approximately 1 day.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Vulcabras Distribuidora de Artigos Esportivos Ltda Controller Stockholder	08.193.994/0001-11		
Remarks			
The transactions refer to sales of shoes. The average period of receipt is approximately 70 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda Controller Stockholder	12.760.928/0001-53		
Remarks			
The transactions refer to sales of shoes. The average period of receipt is approximately 66 days.			

12.10 - Relationships of subordination, provision of service or control between managers and subsidiaries, parent companies or others

Identification	Tax number (CPF / CNPJ)	Type of relationship between the manager and the related party	Type of related person
Position / Function			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Calzados Azaleia Colômbia Ltda Controller Stockholder			
Remarks			
The transactions refer to sales of shoes. The average period of receipt is approximately 19 days.			
Manager of the Issuer			
Pedro Grendene Bartelle Vice-Chair of the Board of Directors	098.647.840-72	Control	Client
Related party			
Calzados Azaleia Peru S.A. Controller Stockholder			
Remarks			
The transactions refer to sales of shoes. The average period of receipt is approximately 18 days.			
Manager of the Issuer			
Alexandre Grendene Bartelle Chair of the Board of Directors	098.675.970-87	Control	Client
Related party			
Lagoa Clara Agrícola Ltda Chai of the Board of Directors	12.599.553/0001-91		
Remarks			
Recovery of expenses – average period of receipt 31 days			

Appendix V

Manager's Compensation

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

a. Objectives of the remuneration policy or practice

The objective of each element of the managers' remuneration is to encourage alignment of the interests of the managers with the targets of the Company, so as to stimulate their commitment and also to attract and maintain highly qualified professionals.

The Company has no statutory committee. On 12 February 2015 the Board of Directors in its minute of meeting nº 59, established a committee composed of three members, all belonging to the Board of Directors to meet the provisions of items 2.1 and 2.2 of the Regulation of the Stock Option Plan Purchase or the Company's Share Subscription which provides that the plan administration can be delegated to a committee specially created for both.

The members of this committee do not receive any remuneration due to this activity. The only compensation received is as Board member as is shown in items 13.1.b.ii, 13.2 and 11.13 of this form.

b. Composition of the remuneration, indicating:

i. Description of the elements of the remuneration and the objectives of each one of them

The members of the **Board of Directors** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Board of Directors.

The members of the **Audit Board** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Audit Board.

As to the remuneration of the **statutory and non-statutory officers**, the elements of their remuneration are: the fixed monthly salary; and remuneration based on shares in the Company.

There is no other direct and indirect benefits to the members of the Board of Directors, Audit Board and Executive Board.

The fixed remuneration seeks to remunerate the executives on attractive terms in comparison to the market with a view to attracting and retaining good professionals.

The share-based remuneration seeks an alignment with the stockholders, including the performance of the shares in the market among the factors that affect the executive's income. This remuneration takes the form of grant of options to purchase shares in the Company, with a period of acquisition of right (vesting) divided into three years (1/3 may be exercised in one year, 2/3 in two years and 3/3 in three years) so as to discourage excessive focus on the short term.

ii. What is the proportion of each element in the total remuneration?

	2017			
	Board of Directors	Committee	Audit Board	Executive Board
Fixed remuneration	100%	-	100%	68%
Remuneration based on shares	-	-	-	32%

	2016			
	Board of Directors	Committee	Audit Board	Executive Board
Fixed remuneration	100%	-	100%	70%
Remuneration based on shares	-	-	-	30%

	2015			
	Board of Directors	Committee	Audit Board	Executive Board
Fixed remuneration	100%	-	100%	75%
Remuneration based on shares	-	-	-	25%

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

iii. Methodology of calculation and adjustment of each one of the elements of the remuneration

The amount of fixed remuneration of the members of the Board of Directors is set annually by the Annual General Meeting based on market values and the economic/financial situation of the Company. The fixed remuneration of the Audit Board is approved by the Annual General Meeting and obeys the limits defined in Law 6404 – Article 162, §3. The members of the Board of Directors and of the Audit Board do not receive any other type of remuneration.

The fixed remuneration of the statutory and non-statutory directors takes into account experience for exercise of the post, references values in the market, which are obtained through research, information in business newspapers and magazines specialized in remuneration of executives, and the Company's economic/financial situation. The remuneration of the statutory Directors is set annually by the Board of Directors.

The number of Options granted to the executives is decided annually by the Committee specified in Item 2.2 of the Regulations of the Stock Option Purchase and Subscription Plan, taking as a basis the performance of the Company in the previous year and accordance with the said Regulations (approved by the Ordinary and Extraordinary General Meeting of Stockholders of April 14, 2008 as amended by the meetings of the Board of Directors of March 1 2012 and February 12, 2015).

iv. Reasons for the composition of the remuneration

The main reasons that justify the composition of the remuneration are:

- To help attract and retain professionals.
- To ensure remuneration appropriate to the market.
- The Company's economic and financial situation.
- Long-term incentive; and
- Alignment of interests with those of the stockholders.

c. Principal indicators of performance that are taken into consideration in the determination of each element of the remuneration

The principal indicators are the change in the Company's Ebit in comparison with the evolution of the market as a whole; Grendene's share of the total of Brazilian footwear exports; Grendene's share in Brazilian apparent footwear consumption; and a qualitative evaluation of the products launched and the satisfaction of the 'trade'. The fixed remuneration takes market parameters into account comparing the Company's practices with those of companies of an equal size for functions of the same complexity and responsibility, and also inflation in the previous year.

The share-based remuneration is in accordance with the Regulations of the Stock Options Purchase and Subscription Plan approved by the Annual General Meeting held on April 14, 2008, and amendments approved by the meeting of the Board of Directors of March 1, 2012 and February 12, 2015. The quantity of options granted is decided in a Meeting of the Board of Directors, which takes into account basically the profit obtained by the Company in the previous business year, and the indicators described above. The options are granted with an exercise price based on the price of the share in the market, and this remuneration only becomes effective if during the period of the Plan the market value of the shares grows faster than monetary adjustment by the IPCA inflation index, which is applied to the exercise price of the grant up to the date of exercise of the option.

According to the plan, annually, during the period of the Plan, the Company's Board of Directors, taking into account the premises for grant, will decide the Beneficiaries, in the form specified in Clause I of the Plan, and also the number of shares that may be acquired with the exercise of each option, the price of exercise of each option and the conditions of its payment, the periods and conditions of exercise of each option and any other conditions relating to them.

The Options, as specified in the said Plan, shall have a total vesting period of 3 years, being able to be exercised as follows: (i) Up to 1/3 after one (1) year from the date of grant; (ii) a further 1/3 after 2 years from the date of the grant, making a total limit of 2/3; and (iii) the remaining 1/3 after 3 years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant. The grant of options for purchase of shares under the said Regulations is made through signing of Subscription Contracts between the Company and the Beneficiaries. These contracts must specify, without prejudice to other conditions determined by the Board of Directors or Committee (as the case may be): (a) the quantity of shares subject of the grant; (b) the conditions for acquisition of the right to exercise of the option; (c) the final period for exercise of the share purchase option; and (d) the period of exercise and conditions of payment. The Board of Directors or Committee (as the case may be) may impose terms and/or prior conditions for the exercise of the option and impose restrictions on the transfer of the shares acquired with the

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

exercise of the Option, and may also reserve to the Company options of repurchase or rights of preference in the case of sale by the Beneficiary of the same shares, up to the termination of the period and/or compliance with the conditions set. The Subscription Contracts shall be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations. The purchase options granted under the said Regulations, and also their exercise by the Beneficiaries, have no relationship with, nor are they linked to, their fixed remuneration, or any shares in the profits. Without prejudice to any provision to the contrary specified in the said Regulations or in the Subscription Contract, the options granted shall be extinguished automatically, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if the Company is dissolved, liquidated or declared bankrupt. Signing of the Subscription Contract will mean acceptance, by the Beneficiary, of all the conditions established in the Plan and the said Regulations.

d. How the remuneration is structured to reflect changes in the performance indicators

The fixed remuneration is compared with the amounts practiced in other companies of equal scale. The share-based remuneration reflects the value of the Company, which is the result of the valuation by the market of the Company's performance; and an evaluation by the Committee, submitted to the Board of Directors, of the change in the indicators.

e. How the remuneration policy or practice aligns with the short-, medium- and long-term interests of the Issuer

See Share-based remuneration, in items 13.4 – sub-items 'c', 'd' and 'e'.

f. Existence of remuneration paid by subsidiaries or controlling stockholders, whether direct or indirect

There is no form of remuneration of Chief Officers or members of the Board of Directors paid by any direct or indirect subsidiary, jointly-controlled subsidiary or parent company.

g. Existence of any remuneration or benefit linked to the occurrence of any corporate event, such as disposal of stockholding control of the Issuer

There is no remuneration or benefit linked to the occurrence of corporate events, however, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such options as they have that may already be exercised (that is to say, for which the vesting period has been completed) in the period between the date of convocation of the General Meeting of Stockholders whose object is to decide on the dissolution, merger, absorption, split or liquidation of the Company and the date of its being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2018 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,300,000.00	5,000,000.00	500,000.00	6,300,000.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	2,500,000.00	0.00	2,500,000.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,300,000.00	7,500,000.00	500,000.00	9,300,000.00

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2017 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,116,000.00	4,159,000.00	427,500.00	5,702,500.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,992,445.00	0.00	1,992,445.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,116,000.00	6,151,445.00	427,500.00	7,694,945.00

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2016 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,056,000.00	3,914,640.00	401,400.00	5,372,040.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,675,974.30	0.00	1,675,974.30
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,056,000.00	5,590,614.30	401,400.00	7,048,014.30

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the business year to Dec. 31, 2015 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	984,000.00	3,576,000.00	356,400.00	4,916,400.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,185,070.38	0.00	1,185,070.38
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	984,000.00	4,761,070.38	356,400.00	6,101,470.38

13.3 - Variable remuneration of the Board of Directors, Executive Board and the Audit Board

The remuneration policy of Grendene S.A. does not include programs of remuneration in the form of cash payments during or in respect of the business year for the members of the Board of Directors, Audit Board and Executive Board.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

a. General terms and conditions

The Regulations of the Program establish the rules relating to the Program of Options for Purchase or Subscription of Shares of Grendene S.A. and its subsidiaries ('the Company'), instituted under the Stock Options Purchase and Subscription Plan ('the Plan'), submitted to decision of the Extraordinary General Meeting of stockholders of the Company on April 14, 2008. The Plan and Regulations currently in force were recommended by the Board of Directors in a meeting held on March 13, 2008, and alterations were approved in the meeting of the Board of Directors of March 1, 2012 and February 12, 2015.

Definitions established in the Plan:

For the purposes of the Regulations governing Grant of Options for Purchase or Subscription of Shares currently in effect, the terms employed below have the following definitions:

- i) Stockholder: Individual or legal entity owning a share in the Company.
- ii) Shares: Nominal common shares that will be or have been issued by the Company.
- iii) Beneficiary: The Eligible Employee to whom the Option is in fact granted.
- iv) Eligible Employees: Executives at the levels of Members of the Board of Directors, Executive Board and Management, except those who are part of the Controlling Stockholding Group, who are able to take part in the Stock Options Purchase and Subscription Plan, in the form of the indications specified in the said Regulations.
- v) Company: The company Grendene S.A. and its subsidiary companies.
- vi) Subscription Contract: The Private Instrument of Grant of Option to Purchase or Subscribe Shares, entered into between the Company and the Eligible Employee, through which the latter becomes a participant in the Stock Options Purchase and Subscription Plan.
- vii) Date of Grant: The date of signature of the Subscription Contract, which will formalize the grant of the Options to the Beneficiaries.
- viii) Separation: This means any act or event which, whether or not with just cause, puts an end to the legal relationship between the Beneficiary and the Company, except in cases of retirement, permanent invalidity or death. Separation also covers the cases of dismissal, replacement or non-reelection of a Beneficiary from a position as member of the Board of Directors or of the Executive Board, and rescission of the employment contract.
- ix) Exercise of the Options: Actual purchase or subscription, by the Beneficiary, of shares relating to the Options granted to him by the Subscription Contract.
- x) Option or Options: Possession by a Beneficiary of the right to acquire or subscribe shares in the Company for a previously fixed price, during a specified period of time, when the conditions established in the Regulations have been met.
- xi) Exercisable Option(s): Such option(s) as have met the conditions specified for the exercise of the right of purchase or subscription of the Shares (vesting), and hence are able to be exercised.
- xii) Non-exercisable Option(s): Such option(s) as has (have) not met the conditions specified for the exercise of the right of purchase or subscription of the Shares.
- xiii) Option Exercise Period: Period between the date on which it is possible to buy or subscribe the shares and the limit date for the purchase or subscription.
- xiv) Regulations: The Regulations of the Plan duly approved by the Board of Directors and the General Meeting of Stockholders of the Company.
- xv) Option Exercise Price: Amount determined to be paid by the Beneficiary for the purchase or subscription of the shares that are subject of the option granted to him.
- xvi) Vesting Period: The period established by the Company before the period for exercise of the option for purchase or subscription of shares by the Beneficiary.

b. Principal objectives of the plan

The objective of the Stock Options Purchase and Subscription Plan, governed by the Regulations, is to establish rules for certain executives of the Company to be able to acquire shares issued by the company, aiming to strengthen the levels of attraction, retention and motivation of talents, and also to align the interests of executives with those of stockholders in the generation of profits and sustainable creation of value. The aim is to create a long-term incentive, based on the concept of stock options, which consists of concession of a right – and not an obligation – to buy shares in the Company for

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

predetermined prices and in predetermined periods. The Beneficiary's potential gain will be the result of the Purchase and Sale of the shares, that is to say, any increase in the value of the share over the exercise price.

c. How the plan contributes to these objectives

As a result of the plan, part of the remuneration of the executives (the part that is based on shares) depends on the value of the shares in the market, which in turn reflects the value of the stockholders' investment. The fact that the options have a period for vesting (1/3 of the total, each year, as from the date of grant) and a period of 6 years for exercise, creates an incentive for pursuing the long-term targets and penalizes the taking of actions whose aim is only short-term benefit.

d. How the plan fits into the Issuer's remuneration policy

The Share-based remuneration is the Company's only form of variable remuneration, and is the element that links the remuneration of the executives to the remuneration of the stockholders in the form of increase in value of their shares.

e. How the plan aligns the interests of the managers and of the Company in the short, medium and long term

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.

With the continuity of the plan and if the executive remains in the company he/she will be the holder of options which may be exercised in the short, medium or long term, and the value of which depends on the difference between the exercise price of the options and the price of the shares traded in the market – the greater the difference, the greater the value. Thus, it is in the interest of the executives that the price of the shares of the Company should increase in a continuous and sustainable manner, and this is also in the interests of the Company's stockholders.

f. Maximum number of shares covered

The share purchase options granted under the Stock Options Purchase and Subscription Plan and the Regulations in effect shall be limited to a total of 5% (five per cent) of the Company's registered capital. The shares resulting from the exercise of the option will be issued as a result of a decision by the Board of Directors to increase the capital, within the authorized limit of the Company's capital, or with use of shares in treasury, within the legal limits. The present shareholders will not have preference in the grant or in the exercise of the share purchase options specified in the said Regulations, as per the provisions of Article 171, § 3 of Law 6404/76.

In the event that the number, type and/or class of the shares issued by the Company is changed as a result of share splits, bonuses, reverse splits or conversions, the Board of Directors shall make the corresponding adjustment in the number, type and/or class of the shares that are the subject of each Option in effect and their respective price of acquisition or subscription, as the case may be, informing the Beneficiaries in writing.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

g. Maximum number of options to be granted

The criteria are the same as for the previous item. The company expects always to make any grant of an option to purchase a share in accordance with criteria defined in the Plan.

h. Conditions for acquisition of shares

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the Company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.

When the issuance of the shares or transfer of the shares in treasury has been approved, according to the case and the decision of the Board of Directors, the shares resulting from the Exercises of Option will be transferred to or posted in the name of the respective Beneficiary, who must pay the Issue Price to the Company within five (5) days after the registry or transfer.

i. Criteria for setting the price of acquisition or exercise

The Exercise Price of the option will be based on the volume-weighted average of the market price of the share in the month prior to the grant and adjusted by inflation (IPCA) up to the Exercise of Option, thus establishing Article 170, § 1, III, of Law 6404/76 as the criterion for setting the issue price. The Board of Directors, at its exclusive option, but without disobeying the legal limits referred to above, may apply a discount of up to 50% on the result of the average referred to in this item. Application of the said discount will not create an acquired right, in favor of the same or of other Beneficiaries, to similar discounts in other issues of shares.

j. Criteria for setting of the exercise price

As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant.

The periods have been established to generate long-term incentives.

k. Form of settlement

The exercise price of the option shall be paid on the date determined by the Company, in Brazilian currency, by: (i) nominal check to the Company; (ii) bank transfer to an account indicated by the Company; or (iii) any other form of payment expressly permitted by the Company and previously advised to the Beneficiary in writing.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

I. Restrictions on transfer of shares

The shares acquired by the Beneficiaries under this plan do not have any restrictions on transfer, however, as is specified in the Regulations, the Board of Directors or the Committee (as the case may be), may impose terms and/or prior conditions for the exercise of the option, and impose restrictions on the transfer of shares acquired with the exercise of the Option, and may also reserve for the Company options to repurchase, or rights of first refusal, in the event of sale by the Beneficiary of those shares, up to the termination of the period and/or compliance with the conditions set. The Subscription Contracts will be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations.

m. Criteria and events which, when present, will result in suspension, alteration or extinction of the plan

The 'Plan' and the Regulations come into effect on the date of their approval by the General Meeting of Stockholders of the Company and may be extinguished at any time by decision of the General Meeting of Stockholders. The termination of the period of validity shall not affect acquired rights - thus not affecting the efficacy of the Options that are still in effect, and granted under it.

Without prejudice to any provision to the contrary specified in the Regulations or in the Subscription Contract, the options granted shall be automatically extinguished, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if the Company is dissolved, liquidated or declared bankrupt. However, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such of their Options as are already able to be exercised (that is to say, for which the vesting period has elapsed) in the period between the date of convocation of the general meeting of stockholders for the purpose of deciding on the dissolution, merger, incorporation, split or liquidation of the Company and the date of it being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.

The Regulations will not prevent the realization of any operations of stockholding reorganization, such as transformation, absorption, merger or split. The Board of Directors of the Company and the Companies involved in such transactions may, at their option, decide, without prejudice to other measures which they decide for the purposes of being equitable: (a) to substitute for the shares that are subject of the Options shares in the company that is successor to the Company; (b) to bring forward the acquisition of the right to exercise the option for acquisition of shares, so as to ensure inclusion of the corresponding shares in the transaction in question; and/or (c) to pay in money the amount to which the Beneficiary would be entitled under the Plan.

n. Effects on a Manager's rights under the share-based remuneration plan caused by his leaving the corporate bodies of the Company

In the event of the Beneficiary separating from the Company by dismissal or rescission of the respective contract, if any, with or without just cause, or by resignation or by destitution from the position, or by retirement, or due to permanent disablement, or death, the rights conferred on him under these Regulations may be extinguished or modified, as specified in item 6.2 of the Regulations, transcribed below.

6.2. If, at any time during the period of the Plan being in effect, the Beneficiary:

a) separates from the Company of his/her own volition, resigning from the employment, rescinding the respective contract, if any, or resigns his/her position as member of the Board of Directors or Executive Board.

(i) the Non-exercisable options on the date of his/her separation will be automatically extinguished, for the full purposes of law, independently of prior notice or indemnity; and

(ii) the Exercisable Options may be exercised within up to thirty (30) days, after which they will be automatically extinguished, independent of advice or service of notice;

b) is separated from the company at the initiative of the Company, by dismissal or rescission of the respective contract, if any, for just cause, or by destitution from his/her position due to violating the rights and attributions of a member of the Board of Directors or Executive Board, all the rights already exercisable or not yet exercisable in accordance with the respective Subscription Contract, on the date of his/her separation from the Company, will automatically be extinguished, for full purposes of law, independently of prior notice or indemnity;

c) is separated from the Company at the Company's initiative, through dismissal or rescission of the respective contract, if any, without just cause, or by destitution from his/her position without violation of the duties and attributions of members of the Board of Directors or Executive Board:

(i) the Non-exercisable Options under the respective Subscription Contract, on the date of separation, will be automatically cancelled, independently of prior advice, notice or indemnity;

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

(ii) the Exercisable Options will be extended by up to thirty (30) calendar days from the announcement of the separation – no further extension being possible – after which they will automatically be cancelled, independently of prior advice, notice or indemnity;

d) separates himself from the Company by retirement or permanent disablement:

(i) the Non-exercisable Options under the Subscription Contract, on the date of his separation, will become automatically exercisable, the ending of the vesting period being brought forward; and

(ii) the Exercisable Options under the Subscription Contract on the date of his separation will remain unchanged, being able to be exercised normally under the Contract;

e) is separated from the Company by death:

(i) the Non-exercisable Options in accordance with the Subscription Contract, on the date of his death, will automatically be exercisable, the ending of the vesting period being brought forward, and the Beneficiary's heirs and legal successors may exercise the respective option within up to twelve (12) months from the date of death, after which such rights shall be automatically extinguished, for full purposes of law, independently of prior advice or indemnity; and

(ii) the Exercisable Options under the respective Subscription Contract, on the day of his death may be exercised by the heirs and legal successors of the Beneficiary, provided that they do so within up to twelve (12) months from the date of death, after which the rights shall be automatically extinguished, for full purposes of law, independently of prior advice, notice or indemnity.

Items 6.3 and 6.4 of the Regulations state:

6.3. In the case of dismissals without just cause that take place in the period of 12 months after a change of control, in accordance with the law, all the options become exercisable.

6.4. The Board of Directors shall have freedom and autonomy to decide on exceptional cases and/or change the rules specified above, without prejudice to rights already exercised and/or acquired prior to their decision.

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Up to February 22, 2018 the Company has made several grants of shares: in 2008 (Plan I), 2009 (Plan II), 2010 (Plan III), 2011 (Plan IV), 2012 (Plan V), 2013 (Plan VI), 2014 (Plan VII), 2015 (Plan VIII), 2016 (Plan IX), 2017 (Plan X), and 2018 (Plan XI). The Beneficiaries of the plans are Chief Officers and Managers of the Company (excluding any that are also Controlling Stockholders), as specified by the Board of Directors. **The members of the Board of Directors and Audit Board are not part of the program.**

Share-based remuneration – Forecast for the current business year (2018)	Board of Directors	Executive Board (Statutory)
Number of members	6	3
Number of remunerated members	0	3
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.25
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	9.04
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	-	0.08%

Share-based remuneration – Forecast for the current business year (2017)	Board of Directors	Executive Board (Statutory)
Number of members	6	3
Number of remunerated members	0	3
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	8.83
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	8.92
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	-	0.16%

Share-based remuneration – Business year ended on December 31, 2016	Board of Directors	Executive Board (Statutory)
Number of members	6	3
Number of remunerated members	0	3
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.00
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	9.23
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	-	0.15%

Share-based remuneration – Business year ended on December 31, 2015	Board of Directors	Executive Board (Statutory)
Number of members	6	3
Number of remunerated members	0	3
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.61
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	9.57
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	-	0.12%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Grants recognized in the current business year (2018)	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 9	Plan 10	Plan 10	Plan 11
Date of grant	-	02/25/16	02/16/17	02/16/17	02/21/18
Quantity of options granted	-	278,802	217,905	217,905	164,343
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/11/21	02/24/22	02/15/23	02/21/24
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R\$ 6.07	R\$ 7.73	R\$ 9.49	R\$ 13.29

Grants recognized in the current business year (2017)	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 8	Plan 9	Plan 10	Plan 10
Date of grant	-	02/12/15	02/25/16	02/16/17	02/16/17
Quantity of options granted	-	195,234	278,802	217,905	217,905
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/12/20	02/11/21	02/24/22	02/15/23
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R\$ 5.96	R\$ 6.07	R\$ 7.73	R\$ 9.49

Grants recognized in the business year ended on December 31, 2016	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 6	Plan 7	Plan 8	Plan 9
Date of grant	-	02/28/13	02/13/14	02/12/15	02/25/16
Quantity of options granted	-	261,870	119,010	195,234	278,802
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/27/19	02/12/20	02/11/21	02/24/22
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R\$ 8.38	R\$ 5.96	R\$ 6.07	R\$ 7.73

Grants recognized in the business year ended on December 31, 2015	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 5	Plan 6	Plan 7	Plan 8
Date of grant	-	03/01/12	02/28/13	02/13/14	02/12/15
Quantity of options granted	-	90,708	261,870	119,010	195,234
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/28/18	02/27/19	02/12/20	02/11/21
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R\$ 4.21	R\$ 8.38	R\$ 5.96	R\$ 6.07

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

The information below refers only to the Statutory Board, the members of the Board of Directors and Audit Board are not part of the program.

Share-based remuneration forecast for the current business year (2018)

a) Body	Executive Board (Statutory)			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
i. Date of grant	02/12/15	02/25/16	02/16/17	02/22/18
ii. Quantity of options granted	195,234	278,802	217,905	164,343
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/11/21	02/24/22	02/15/23	02/21/24
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R\$ 8.42	R\$ 8.88	R\$ 9.81	R\$ 13.29
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R\$ 8.42	R\$ 8.88	R\$ 9.81	R\$ 13.29
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R\$ 6.07	R\$ 7.73	R\$ 9.49	R\$ 13.29
f) Potential dilution in the event of exercise of all options granted	0.06%	0.09%	0.07%	0.05%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors**Share-based remuneration forecast for the current business year (2017)**

a) Body	Executive Board (Statutory)			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)
i. Date of grant	02/13/14	02/12/15	02/25/16	02/16/17
ii. Quantity of options granted	119,010	195,234	278,802	217,905
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/12/20	02/11/21	02/24/22	02/15/23
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R\$ 9.84	R\$ 8.42	R\$ 8.88	R\$ 9.81
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R\$ 9.84	R\$ 8.42	R\$ 8.88	R\$ 9.81
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R\$ 5.96	R\$ 6.07	R\$ 7.73	R\$ 9.49
f) Potential dilution in the event of exercise of all options granted	0.04%	0.06%	0.09%	0.07%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2016

a) Body	Executive Board (Statutory)			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)
i. Date of grant	02/28/13	02/13/14	02/12/15	02/25/16
ii. Quantity of options granted	261,870	119,010	195,234	278,802
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/27/19	02/12/20	02/11/21	02/24/22
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R\$ 9.55	R\$ 9.84	R\$ 8.42	R\$ 8.88
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R\$ 9.55	R\$ 9.84	R\$ 8.42	R\$ 8.88
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R\$ 8.38	R\$ 5.96	R\$ 6.07	R\$ 7.73
f) Potential dilution in the event of exercise of all options granted	0.09%	0.04%	0.06%	0.09%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors**Share-based remuneration for the business year ended on December 31, 2015**

a) Body	Executive Board (Statutory)			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)
i. Date of grant	03/01/12	02/28/13	02/13/14	02/12/15
ii. Quantity of options granted	90,708	261,870	119,010	195,234
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/28/18	02/27/19	02/12/20	02/11/21
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R\$ 4.33	R\$ 9.55	R\$ 9.84	R\$ 8.42
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R\$ 4.33	R\$ 9.55	R\$ 9.84	R\$ 8.42
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R\$ 4.21	R\$ 8.38	R\$ 5.96	R\$ 6.07
f) Potential dilution in the event of exercise of all options granted	0.03%	0.09%	0.04%	0.06%

13.6 – Information on the open options held by the Board of Directors and the statutory directors**Amounts relating to the 2017 business year**

Body	Executive Board (Statutory)		
Number of members	3 (three)		
Number of remunerated members	3 (three)		
In relation to options not yet exercised	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)
I. Quantity	468,851		
II. Date when they will become exercisable	02/11/18 – 65,078	02/24/18 – 92,934 02/24/19 – 92,934	02/24/18 – 72,635 02/24/19 – 72,635 02/24/20 – 72,635
III. Maximum period for exercise of the options	02/12/21	02/11/22	02/11/22
IV. Period of restriction on transfer of the shares	There is no restriction		
V. Weighted average price of exercise	R\$ 9.25		
VI. Fair value of the options on the last day of the business year	R\$ 8.32		
In relation to the exercisable options	There is no exercisable options on December 31, 2017		
I. Quantity	-		
II. Date when they will become exercisable	-		
III. Maximum period for exercise of the options	-		
IV. Period of restriction on transfer of the shares	-		
V. Weighted average price of exercise	-		
VI. Fair value of the options on the last day of the business year	-		

The members of the Board of Directors and the Audit Board are not part of the program.

13.7 - Options exercised and shares delivered in relation to the share-based remuneration of the Board of Directors and the statutory directors

a. Body	Executive Board						
b. Number of members	3 (three)						
c. Number of remunerated members	3 (three)						
d. In relation to options not yet exercised	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
i. Number of shares	2013 – 334,832 2014 – 46,907 2015 – 120,509	2013 – 30,236 2014 – 30,236 2015 – 30,236	2014 – 87,290 2015 – 87,290 2016 – 87,290	2015 – 39,670 2016 – 39,670 2017 – 39,670	2016 – 65,078 2017 – 65,078	2017 – 92,934	-
ii. Weighted average price in the business year	2013 – R\$10.15 2014 – R\$8.87 2015 – R\$10.34	2013 – R\$10.15 2014 – R\$8.87 2015 – R\$10.34	2014 – R\$8.87 2015 – R\$10.34 2016 – R\$10.76	2015 – R\$10.34 2016 – R\$10.76 2017 – R\$8.92	2017 – R\$8.92	2017 – R\$8.92	-
iii. Total value of the difference between the exercise value and the market value of the shares for the options exercised	R\$4,806,829.93	R\$797,020.96	R\$1,924,744.50	R\$862,822.50	R\$1,179,213.36	R\$840,123.36	-
e. In relation to the shares delivered, state:							
i. Number of shares	502,248	90,708	261,870	119,010	130,156	92,934	-
ii. Weighted average acquisition price	2013 – R\$21.06 2014 – R\$18.49 2015 – R\$16.17	2013 – R\$21.06 2014 – R\$18.49 2015 – R\$16.17	2014 – R\$18.49 2015 – R\$16.17 2016 – R\$17.36	2015 – R\$16.17 2016 – R\$17.36 2017 – R\$17.96	2016 – R\$17.36 2017 – R\$17.96	2017 – R\$17.96	-
iii. Total value of the difference between the acquisition value and the market value of the shares acquired	R\$4,806,829.93	R\$797,020.96	R\$1,924,744.50	R\$862,822.50	R\$1,179,213.36	R\$840,123.36	-

The members of the Board of Directors and the Audit Board are not part of the program.

13.8 - Information necessary for understanding of the data disclosed in items 13.5 to 13.7 - Method of pricing of the value of the shares and the options**a. The pricing model**

	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
Pricing model	Black and Scholes						

b. Data and assumptions used in the pricing model, including the weighted average price of the shares, exercise price, expected volatility, period of life of the option, expected dividends and risk-free interest rate

	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
Grant date	02/24/2011	03/1/2012	02/28/2013	02/13/2014	02/12/2015	02/25/2016	02/16/17
Total purchase options granted	1,741,632	326,847	795,549	370,158	646,554	891,846	217,905
Exercise price	10.80	4.33	9.55	9.84	8.42	8.88	9.81
Estimated volatility	27.60%	14.07%	25.51%	26.35%	26.51%	29.89%	20.16%
Expected dividends	4%	7%	5%	6%	5%	6%	6%
Weighted average risk-free interest rate	12.50%	9.50%	7.25%	11.25%	12.75%	14.25%	9.50%
Maximum maturity	6 years	6 years	6 years	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	1.20	4.21	8.38	5.96	6.07	7.73	9.49

* The expected dividends were based on the average dividend payment per share in relation to the market value of the share over the last 12 months.

** The Company utilizes as the risk-free interest rate the average projected Special System for Settlement and Custody (SELIC) rate published by the Central Bank of Brazil (BACEN).

c. Method and assumptions used to incorporate the expected effects of the expected exercise

	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
Method and assumptions	In the calculation of the fair value of the options, we use the value for the expected life of the options. We did not take into consideration the turnover, because it is expected to be insignificant at the level of the Executive Board of Grendene S.A.						

d. Manner of determining expected volatility

	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
Expected volatility	Volatility was determined based on the average historical fluctuation of the share price over the 18 months prior to the grant date.						

e. Was any other characteristic of the option incorporated into the measurement of its fair value?

	Plan IV (2011)	Plan V (2012)	Plan VI (2013)	Plan VII (2014)	Plan VIII (2015)	Plan IX (2016)	Plan X (2017)
Other characteristic of the option	No						

13.9 - Holdings in shares, unit shares and other securities that are convertible, held by managers and members of the Audit Board – by body

Number of shares or share units issued by the Company or its direct or indirect controlling stockholders, or its subsidiaries or jointly-controlled subsidiaries, and any other securities convertible into such shares or share units, that were directly or indirectly held, in Brazil or outside Brazil, by members of the Board of Directors, by the statutory directors, or by members of the Audit Board, grouped by body, on the closing date of the last business year.

Notes:

(*) This includes shares owned by the controlling stockholders Alexandre Grendene Bartelle and Pedro Grendene Bartelle and by the other stockholders bound by the Company's stockholders' agreement.

Stockholders	Dec. 31, 2017	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	216,145,693	71.876062%
Members of the Executive Board	729,209	0.242488%
Members of the Audit Board	-	-
Total number of shares	216,874,902	72.118549%

Stockholders	Dec. 31, 2016	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	217,464,784	72.314705%
Members of the Executive Board	728,058	0.242105%
Members of the Audit Board	-	-
Total number of shares	218,192,842	72.556810%

Stockholders	Dec. 31, 2015	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	217,479,784	72.319694%
Members of the Executive Board	659,268	0.219230%
Members of the Audit Board	-	-
Total number of shares	218,139,052	72.538924%

13.10 – Information on the pension plans granted to the members of the Board of Directors and statutory directors

The company does not maintain Private Pension Plans for the members of its Board of Directors, Executive Board and managers.

13.11 - Maximum, minimum and average individual remuneration of the Board of Directors, the statutory directors and the Audit Board

Annual amounts

	Executive Board			Board of Directors			Audit Board		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
No. of members	3.00	3.00	3.00	6.00	6.00	6.00	3.00	3.00	3.00
No. of remunerated members	3.00	3.00	3.00	6.00	6.00	6.00	3.00	3.00	3.00
Amount of the largest individual remuneration (Reais)	2,748,408.00	2,475,008.30	2,051,021.46	186,000,00	176,000,00	164,000,00	142,500.00	133,800.00	118,800.00
Amount of the lowest individual remuneration (Reais)	1,423,997.00	1,308,828.31	1,164,538.19	186,000,00	176,000,00	164,000,00	142,500.00	133,800.00	118,800.00
Average remuneration (Reais)	2,050,481.67	1,863,538.10	1,587,023.46	186,000,00	176,000,00	164,000,00	142,500.00	133,800.00	118,800.00

Remarks

Executive Board
Board of Directors
Audit Board

13.12 – Mechanisms of remuneration or indemnity for managers in the event of being removed from office or retirement

There are no mechanisms of remuneration or indemnity for members of its Board of Directors, Executive Board and managers in the event of dismissal from their position, or retirement.

13.13 – Remuneration of managers and members of the Audit Board who are related parties of the controlling stockholders, as a percentage of total remuneration of all managers and members of the Audit Board

Grendene does not make payments to members of the Board of Directors, the Statutory Directors or the Audit Board who are related parties of the Controlling stockholders, whether direct or indirect. The only payment made is to the controlling stockholders themselves (Mr. Alexandre Grendene Bartelle, who serves as Chairman of the Board of Directors, and Mr. Pedro Grendene Bartelle, who serves as Vice-Chairman of the Board of Directors).

Business year ended on	Board of Directors	Audit Board	Executive Board (Statutory Board)
December 31, 2017	33%	0%	0%
December 31, 2016	33%	0%	0%
December 31, 2015	33%	0%	0%

13.14 – Remuneration of managers and members of the Audit Board, grouped by body, received for any reason other than the function they hold

R\$	2015	2016	2017
Board of Directors	R\$ 72,000.00	R\$ 120,000.00	R\$ 170,000.00
Audit Board	-	-	-
Executive Board (Statutory Board)	R\$ 364,000.00	R\$ 413,000.00	R\$ 479,000.00

13.15 - Remuneration of management or the Audit Board recognized in the Profit and loss account of companies that are direct or indirect controlling stockholders, or companies under common control, or subsidiaries, the Issuer

The Company has no amounts recognized in the Profit and loss of any company that is a direct or indirect controlling stockholder, nor any company under common control or subsidiary of the Issuer, as remuneration of members of the Board of Directors or the statutory directors.

13.16 - Other material information

The full text of the Regulations of the Company's Stock Options Plan, approved by the Extraordinary General Meeting of Stockholders on April 14, 2008, and the alterations approved at the meetings of the Board of Directors of March 1, 2012 and February 12, 2015, is available for consultation on the websites of the CVM, BM&FBovespa and on the Company's Investor Relations site.

CVM – <http://www.cvm.gov.br>

BM&FBovespa S.A. – <http://www.bmfbovespa.com.br>

Grendene – Investor Relations – <http://ri.grendene.com.br/PT/Governanca-Corporativa/Stock-Options>

Stock options plan

The information in the items above refers only to the Directors. However it is necessary to make clear that the stock options plan, administered by the Board of Directors, allows for beneficiaries who are executives at Management levels, as well as the Directors referred to above, also including the principal managers. For greater transparency we transcribe below **Explanatory Note 21** to the financial statements.

21. Stock option or subscription plan

At the Extraordinary General Meeting held on April 14, 2008, the Company's stockholders approved the "Stock Option or Share Subscription Plan", to be effective as from April 14, 2008, for the Company's directors and managers, except for directors nominated by the controlling stockholders. The plan is administered by the Company's Board of Directors, which may delegate this function, within the restrictions established by law to the committee created on February 12, 2015, by the 59th meeting of the Board of Directors.

The share purchase options granted under the Stock Option Plan are limited to 5% of the Company's capital. The shares to be delivered as a result from the exercise of options will be issued through a resolution to increase capital, by the Board of Directors, within the Company's authorized capital, or using treasury shares, within legal limits.

The Stock Option or Share Subscription Plan beneficiaries may exercise their options within 6 years from the grant date. The vesting year will be of up to 3 years, with releases of 33% after one year, 66% after two years and 100% after three years.

At December 31, 2017 the company recognized an expense of R\$6,368 (R\$5,283 in 2016) in Personnel expenses, for stock options, based on the fair value of the transactions on the date of their being granted.

a) Summary of grants of share purchase options or subscription

The options granted and the related changes were as follows:

2017								
Grant date	Option exercise price	Vesting period as from grant date	Maximum number of shares	Opening balance	Granted	Exercised	Canceled	Closing balance
2/24/2011	10.80	2/24/2014	1,741,632	8,049	-	(8,049)	-	-
2/13/2014	9.84	2/13/2017	370,158	112,904	-	(112,904)	-	-
2/12/2015	8.42	2/12/2017	431,036	202,828	-	(199,792)	(3,036)	-
2/12/2015	8.42	2/12/2018	646,554	202,828	-	-	(10,833)	191,995
2/25/2016	7.80	2/25/2017	297,282	294,360	-	(289,853)	(4,507)	-
2/25/2016	7.80	2/25/2018	594,564	294,360	-	-	(15,735)	278,625
2/25/2016	7.80	2/25/2019	891,846	294,360	-	-	(15,735)	278,625
2/16/2017	8.99	2/16/2018	242,384	-	242,384	-	(10,008)	232,376
2/16/2017	8.99	2/16/2019	484,768	-	242,384	-	(10,008)	232,376
2/16/2017	8.99	2/16/2020	727,152	-	242,384	-	(10,008)	232,376
				1,409,689	727,152	(610,598)	(79,870)	1,446,373

2016									
Grant date	Option exercise price	Vesting period as from grant date	Maximum number of shares	Opening balance	Granted	Exercised	Canceled	Anticipation of the Grace period	Closing balance
2/24/2011	10.80	2/24/2012	580,544	5,956	-	(5,956)	-	-	-
2/24/2011	10.80	2/24/2013	1,161,088	5,956	-	(5,956)	-	-	-
2/24/2011	10.80	2/24/2014	1,741,632	53,114	-	(45,065)	-	-	8,049
2/28/2013	9.55	2/28/2016	795,549	240,561	-	(240,561)	-	-	-
2/13/2014	9.84	2/13/2016	246,772	117,371	-	(119,080)	-	1,709	-
2/13/2014	9.84	2/13/2017	370,158	117,371	-	-	(2,758)	(1,709)	112,904
2/12/2015	8.42	2/12/2016	215,518	210,298	-	(215,948)	-	5,650	-
2/12/2015	8.42	2/12/2017	431,036	210,298	-	-	(4,645)	(2,825)	202,828
2/12/2015	8.42	2/12/2018	646,554	210,298	-	-	(4,645)	(2,825)	202,828
2/25/2016	7.80	2/25/2017	297,282	-	297,282	-	(2,922)	-	294,360
2/25/2016	7.80	2/25/2018	594,564	-	297,282	-	(2,922)	-	294,360
2/25/2016	7.80	2/25/2019	891,846	-	297,282	-	(2,922)	-	294,360
				1,171,223	891,846	(632,566)	(20,814)	-	1,409,689

13.16 - Other material information

The fair value of options is calculated at the grant date of the plans, and is not subsequently remeasured since the settlement of the plan is made through equity instruments, as described in technical pronouncement CPC10 – R1 (IFRS 2) – Share-based Payment. Therefore, the Company is subject to variation of the share price in the market when the option is exercised by the beneficiaries of the plans.

In 2017, the Company acquired, for the fulfillment of the plans for exercise of options of share purchase, 547,841 shares, at an average cost of R\$ 17.96, totaling R\$ 9,837. In the first quarter of 2017, 610,598 shares were exercised at an average cost of R\$ 17.80, totaling R\$ 10,872.

In 2017, the Company recognized the difference between the average exercise price of the options and the average cost of the shares acquired for the fulfillment of these exercises, in the amount of R\$ 937, directly in equity, since the settlement of options plans occurs through equity instruments, as described in technical pronouncement CPC 10 – R1 (IFRS 2) – Share-based payment.

b) Changes in operations with stock option

Changes involving issuance, exercise and cancellation of share purchase options in the year were as follows:

Plan	Changes	Grace period – from grant	Number of shares	Movement in shares	Premium	Expense of exercise or cancellation
	Balance at the beginning of the year	-	8,049	-	-	-
Fourth	(-) Exercise of share purchase option	2/24/2014	-	(8,049)	1.74	(14)
	Balance at the end of the year	-	-	-	-	-
	Balance at the beginning of the year	-	112,904	-	-	-
Seventh	(-) Exercise of share purchase option	2/13/2017	-	(112,904)	6.07	(685)
	Balance at the end of the year	-	-	-	-	-
	Balance at the beginning of the year	-	405,656	-	-	-
	(-) Canceled	2/12/2018	-	(4,426)	6.29	(19)
	(-) Exercise of share purchase option	2/12/2017	-	(199,792)	6.10	(1,219)
Eighth	(-) Canceled	2/12/2017	-	(3,036)	6.10	(18)
	(-) Canceled	2/12/2018	-	(1,795)	6.29	(8)
	(-) Canceled	2/12/2018	-	(2,531)	6.29	(14)
	(-) Canceled	2/12/2018	-	(2,081)	6.29	(12)
	Balance at the end of the year	-	191,995	-	-	-
	Balance at the beginning of the year	-	883,080	-	-	-
	(-) Canceled	2/25/2018	-	(6,824)	7.76	(26)
	(-) Canceled	2/25/2019	-	(6,824)	7.83	(18)
	(-) Exercise of share purchase option	2/25/2017	-	(289,853)	7.59	(2,200)
	(-) Canceled	2/25/2017	-	(4,507)	7.59	(34)
	(-) Canceled	2/25/2018	-	(2,643)	7.76	(12)
	(-) Canceled	2/25/2019	-	(2,643)	7.83	(8)
Ninth	(-) Canceled	2/25/2018	-	(3,484)	7.76	(22)
	(-) Canceled	2/25/2019	-	(3,484)	7.83	(14)
	(-) Canceled	2/25/2018	-	(2,784)	7.76	(20)
	(-) Canceled	2/25/2019	-	(2,784)	7.83	(13)
	Balance at the end of the year	-	557,250	-	-	-
	Balance at the beginning of the year	-	-	-	-	-
	Share purchase options issued	-	727,152	-	-	-
	(-) Canceled	2/16/2018	-	(2,282)	9.77	(4)
	(-) Canceled	2/16/2019	-	(2,282)	9.49	(2)
	(-) Canceled	2/16/2020	-	(2,282)	9.21	(1)
Tenth	(-) Canceled	2/16/2018	-	(2,987)	9.77	(17)
	(-) Canceled	2/16/2019	-	(2,987)	9.49	(8)
	(-) Canceled	2/16/2020	-	(2,987)	9.21	(6)
	(-) Canceled	2/16/2018	-	(4,739)	9.77	(38)
	(-) Canceled	2/16/2019	-	(4,739)	9.49	(19)
	(-) Canceled	2/16/2020	-	(4,739)	9.21	(12)
	Balance at the end of the year	-	697,128	-	-	-
	Movement in Stockholders' equity					(4,463)

c) Economic assumptions adopted for recognition of employee remuneration expenses

The Company recognizes expenses with variable remuneration of employees based on the fair value of the options granted, which was estimated using the Black-Scholes option pricing model. The Company utilized the following economic assumptions to determine this weighted average fair value:

	4 th Plan	7 th Plan	8 th Plan	9 th Plan	10 th Plan
Grant date	2/24/2011	2/13/2014	2/12/2015	2/25/2016	2/16/2017
Total purchase options granted	1,741,632	370,158	646,554	891,846	727,152
Exercise price	10.80	9.84	8.42	8.88	9.81
Estimated volatility	27.60%	26.35%	26.51%	29.89%	20.16
Expected dividends	4%	6%	5%	6%	6%
Weighted average risk-free interest rate	12.50%	11.25%	12.75%	14.25%	9.50%
Maximum maturity	6 years	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	1.20	5.96	6.07	7.73	9.49

13.16 - Other material information

Volatility was determined based on the average historical fluctuation of the share price over the 18 months prior to the grant date.

The expected dividends were based on the average dividend payment per share in relation to the market value of the share over the last 12 months.

The Company uses as the risk-free interest rate the average projected Special System for Settlement and Custody (SELIC) rate published by the Central Bank of Brazil (BACEN).

The fair value of options is calculated at the grant date and recorded as an expense, on a straight-line basis, during the vesting period.

The Company is not committed to repurchase of shares that were purchased by the beneficiaries.

Appendix VI

Draft By-laws

Proposal for change in the drafting of Clauses 5 and 6 of the Company's By-laws, to reflect the new quantity of common shares in its share capital. The table below gives the justifications for the changes proposed and analysis of the legal and economic effects.

Notes:

- Texts marked in **red** represent a proposal for exclusion from the Bylaws currently in effect.
- Texts marked in **blue** represent a proposal for alteration of the drafting of the current Bylaws.
- Other contentes remain unaltered.

Current text	Suggested text	Justification:
<p>Grendene S.A. LISTED COMPANY</p> <p>CNPJ Nº 89.850.341/0001-60 NIRE Nº 23300021118-CE</p> <p>BYLAWS</p>		
<p>CHAPTER I</p> <p>Name, objects, head office and duration</p> <p>Clause 1. GRENDENE S.A. is a Brazilian corporation, ruled by these Bylaws and by the applicable legislation.</p> <p>§1 With the Company's inclusion in the <i>Novo Mercado</i> listing segment of the São Paulo Stock Exchange ('BM&FBovespa') – <i>Bolsa de Valores, Mercadorias e Futuros</i> ('the Novo Mercado'), the Company, its stockholders, Management and members of its Fiscal Council (when installed), are subject to the provisions of the Listing Regulations of the Novo Mercado of the BM&FBovespa ('the Novo Mercado Regulations')</p> <p>§2 The provisions of the Novo Mercado Regulations shall prevail over the provisions of the Bylaws, in the event of any loss or damage being occasioned to the rights of any person to whom any public offer provided for in these Bylaws is addressed.</p>		
<p>Clause 2 - The Company's objects are:</p> <p>I) Manufacture, sale, exportation and importation of:</p> <p>a) footwear and apparel items in general; b) components and parts for footwear, and apparel items in general; c) matrices and molds for the footwear industry, apparel items and plastic items of any type; d) PVC, resins, plastifying oils, EVA and other raw materials and inputs used for the manufacture of footwear; e) accessories, perfume items, cosmetics, jewelry, watches, eyewear, games, toys, gifts, and promotional materials associated with the products produced by the company; f) individual protection equipment.</p>		

Current text	Suggested text	Justification:
<p>II. Provision of services, including information technology services, relating to the activities described in item (i);</p> <p>III. Importation of industrial machines and their accessories, and equipment, specialized tools and devices related to the Company's objects;</p> <p>IV. Holding of interests in the form of shares or share units in other companies in Brazil or elsewhere, through investment of its own funds or amounts of tax incentives.</p>		
<p>Clause 3. The Company has its headquarters and legal domicile in the city of Sobral, in the State of Ceará, at Avenida Pimentel Gomes 214, CEP 62040-125, and may open or maintain branch offices, agencies, offices or representatives in any place in Brazil or elsewhere, upon decision by the Executive Board.</p>		
<p>Clause 4. The Company is of indeterminate duration.</p>		
<p style="text-align: center;">CHAPTER II</p> <p style="text-align: center;">Registered Capital and Shares</p>	<p style="text-align: center;">CHAPTER II</p> <p style="text-align: center;">Registered Capital and Shares</p>	
<p>Clause 5. The registered capital, subscribed and totally paid up, is R\$ 1,231,301,604.46 (one billion, two hundred and thirty one million, three hundred and one thousand, six hundred and four Reais and forty six centavos), divided into 300,720,000 (three hundred million, seven hundred twenty thousand) nominal, book-entry, common shares without par value.</p>	<p>Clause 5. The registered capital, subscribed and totally paid up, is R\$ 1,231,301,604.46 (one billion, two hundred and thirty one million, three hundred and one thousand, six hundred and four Reais and forty six centavos), divided into 902,160,000 (nine hundred and two million, one hundred and sixty thousand) nominal, book-entry, common shares without par value.</p>	<p>Change in the drafting of this Clause to reflect the decision to split the Company's shares in the proportion of 1 (one) common share to 3 (three) common shares of the same type.</p>
<p>§1 Each common share carries the right to one vote in decisions of the General Meeting of Stockholders.</p>	<p>§1 Each common share carries the right to one vote in decisions of the General Meeting of Stockholders.</p>	<p>This proposal has no significant legal or economic effects, aiming to increase the liquidity of the shares, and provide a better share price for the Company's shares that makes them more accessible to small investors.</p>
<p>§2 All the Company's shares are held on deposit in the name of their holders at a depositary institution authorized by the Brazilian Securities Commission (CVM) with which the Company maintains a current custody contract. Certificates are not issued.</p>	<p>§2 All the Company's shares are held on deposit in the name of their holders at a depositary institution authorized by the Brazilian Securities Commission (CVM) with which the Company maintains a current custody contract. Certificates are not issued.</p>	
<p>§3 The depositary institution may charge stockholders the cost of the service of transfer and registry of ownership of book-entry shares, and also the cost of services relative to the shares held in custody, subject to the maximum limits set by the CVM.</p>	<p>§3 The depositary institution may charge stockholders the cost of the service of transfer and registry of ownership of book-entry shares, and also the cost of services relative to the shares held in custody, subject to the maximum limits set by the CVM.</p>	
<p>§4 The Company may not issue preferred shares or founders' shares.</p>	<p>§4 The Company may not issue preferred shares or founders' shares.</p>	
<p>§5 Except as specified in § 1 of Clause 6, shareholders have the right of preference, in proportion to their holdings, to subscribe shares, convertible debentures or warrants issued by the Company, which may be exercised within the legal period of 30 (thirty) days for the exercise of this right.</p>	<p>§5 Except as specified in § 1 of Clause 6, shareholders have the right of preference, in proportion to their holdings, to subscribe shares, convertible debentures or warrants issued by the Company, which may be exercised within the legal period of 30 (thirty) days for the exercise of this right.</p>	
<p>Clause 6. The Company's registered capital may be increased by up to 300,000,000 (three hundred million) common shares, without the need for a change in the Bylaws, upon decision by the Board of Directors, which has competence to set the issue price and other conditions of subscription and paying-up of the shares within the authorized capital.</p>	<p>Clause 6. The Company's registered capital may be increased by up to 900,000,000 (nine hundred million) common shares, without the need for a change in the Bylaws, upon decision by the Board of Directors, which has competence to set the issue price and other conditions of subscription and paying-up of the shares within the authorized capital.</p>	<p>Change in the drafting of this Clause to adjust the quantity of shares of the authorized capital to the same quantity of shares as comprises the subscribed share capital.</p>

Current text	Suggested text	Justification:
<p>§1 The Company may issue shares, debentures convertible into shares or warrants without the existing stockholders having the right of preference, or with reduction of the period for exercise of the right of preference specified in Article 171, § 4, of Law 6404/76, provided that these securities are placed (a) by sale on a securities exchange or through public subscription or (b) by exchange of shares, in a public offer for acquisition of control.</p> <p>§2 Within the limit of authorized capital, and in accordance with any plan that is approved by the General Meeting of Stockholders, the Company may grant options to purchase shares to managers, employees, or individuals who provide services to the Company, or to a company under its control.</p>	<p>§1 The Company may issue shares, debentures convertible into shares or warrants without the existing stockholders having the right of preference, or with reduction of the period for exercise of the right of preference specified in Article 171, § 4, of Law 6404/76, provided that these securities are placed (a) by sale on a securities exchange or through public subscription or (b) by exchange of shares, in a public offer for acquisition of control.</p> <p>§2 Within the limit of authorized capital, and in accordance with any plan that is approved by the General Meeting of Stockholders, the Company may grant options to purchase shares to managers, employees, or individuals who provide services to the Company, or to a company under its control.</p>	<p>This proposal has no significant legal or economic effects, aiming to increase the liquidity of the shares, and provide a better share price for the Company's shares that makes them more accessible to small investors.</p>
<p style="text-align: center;">CHAPTER III</p> <p style="text-align: center;">Shareholders General Meetings</p> <p>Clause 7. A General Meeting of Stockholders that is called and opened in accordance with the applicable legislation and the provisions of these Bylaws has powers to decide all business relating to the Company's objects and to take all such decisions as it believes to be appropriate to its defense and development.</p> <p>§1 The General Meetings of Stockholders shall be held at the Company's head office, and may be held elsewhere for any force majeure reason, or in any manner specified by law or by any normative instruction of the competent bodies.</p>		
<p>Clause 8. The General Meeting of Stockholders shall be held (a) ordinarily, once a year, in the first 4 (four) months following the closing of each business year, to decide on the matters specified in Clause 131 of Law 6404/76, and (b) extraordinarily, whenever the Company's corporate interests so require, subject to the provisions of the law and the Bylaws.</p>		
<p>Clause 9. The General Meeting of Stockholders shall be called by the Chairman of the Board of Directors or, in the event of his omission, by the Vice-chairman of the Board of Directors. In the event of omission by the latter, the meeting shall be called by 2 (two) members of the Board of Directors jointly. The General Meeting of Stockholders may also be called by the persons mentioned in the sole sub-paragraph of Clause 123 of Law 6404/76, in the circumstances therein referred to. The first convocation shall be made at least 15 (fifteen) days prior to the date set for holding the General Meeting, such period to be counted from the publication of the first convocation announcement, which must contain the place, date and time of the meeting, and the agenda. If the General Meeting is not held after the first convocation, a new advertisement shall be published, of second convocation, with minimum prior notice of 8 (eight) days.</p>		
<p>Clause 10. To take part in and vote at the General Meeting, for the purpose of optimizing organization stockholders should prove their status as such, presenting an identity document and a document of proof issued by the depositary institution, either original or in the form of a copy sent by fax or e-mail, at least 2 (two) business day in advance of the date</p>		

Current text	Suggested text	Justification:
<p>of the Meeting. Stockholders represented by persons holding power of attorney must exhibit the powers of attorney up to that same moment and by the same means referred to in this Clause 10. The originals of the documents referred to in this Clause 10, or copies of them, authentication and recognition of signature not being required, must be exhibited to the Company by the moment of opening of the business of the related General Meeting. Independently of the above, any stockholder attending the meeting in possession of the required documents may participate and vote, even if that stockholder has omitted to deposit them previously.</p>		
<p>Clause 11. The General Meeting of Stockholders must be installed and chaired by the Chairman of the Board of Directors, who shall appoint the Secretary of the meeting. In the absence of the Chairman of the Board of Directors, the General Meeting of Stockholders shall be installed and chaired by the Vice-chairman of the Board of Directors. In the absence of the Vice-chairman of the Board of Directors, the business of the General Meeting shall be brought into session and chaired by any such other member of the Board of Directors, or Chief Officer, as is appointed by the majority of the votes of the shareholders present at the General Meeting or represented by power of attorney, and this person shall appoint the Secretary of the meeting.</p>		
<p style="text-align: center;">CHAPTER IV The Management Section I General provisions</p> <p>Clause 12. The Company shall be managed by the Board of Directors and by the Executive Board in accordance with law and these Bylaws. The members of the Board of Directors shall be elected by the General Meeting of Stockholders and the members of the Executive Board shall be elected by the Board of Directors.</p>		
<p>Clause 13. Managers may take office only after signing the Managers' Term of Consent referred to by the Novo Mercado Regulations, and complying with the other requirements of law of the BM&FBOVESPA.</p>		
<p>Clause 14 – The General Meeting of Stockholders has the competence to set the remuneration of the managers, individually or globally. In the latter case, the Board of Directors has the competence to allocate the remuneration to be set, including variable remuneration, between the members of the Board of Directors and the members of the Executive Board.</p>		
<p style="text-align: center;">Section II The Board of Directors</p> <p>Clause 15. The Board of Directors shall have a minimum of five and a maximum of seven sitting members, of whom at least 20% (twenty per cent) must be Independent Members, as defined in the Novo Mercado Regulations, and expressly declared as such in the Minutes of the General Meeting of</p>		

Current text	Suggested text	Justification:
<p>Stockholders which elects them. Board Members elected under the option specified in Article 141, Paragraphs 4 and 5, or Article 239, of Law 6405/76 shall also be deemed to be Independent Members. At each Ordinary General Meeting, the stockholders shall decide the number of sitting members to be elected at such meeting. The Board of Directors has a Chairman and a Vice-chairman, who are appointed by the General Meeting.</p> <p>§1 When calculation of the percentage referred to in this Clause results in a fraction, rounding shall be applied in accordance with the terms of the <i>Novo Mercado</i> Regulations.</p> <p>§2º No person may at the same time hold the office of Chair of the Board of Directors and the office of President or Chief Executive Officer of the Company.</p>		
<p>Clause 16. The periods of office of the members of the Board of Directors shall run concurrently, being a maximum of 2 (two) years, re-election being permitted.</p> <p>§1 In addition to the provisions of Clause 13, the members of the Board of Directors take office upon signature of an undertaking written in a book maintained for the purpose, and also the Managers' Term of Consent referred to in the <i>Novo Mercado</i> Regulations. No management guarantee is required.</p> <p>§2 The members of the Board of Directors shall remain in their positions and in exercise of their functions until those replacing them take office, unless otherwise decided by the General Meeting of Stockholders.</p>		
<p>Clause 17. In the event of the absence or temporary impediment of the Chairman, his or her functions shall be exercised by the Vice-chairman. In the absence or temporary impediment of the Vice-chairman, his or her functions shall be exercised by the sitting member appointed by the other members of the Board of Directors to assume such functions. In the event of absence or temporary impediment of any other member of the Board of Directors, his or her functions shall be exercised by any other member of the Board of Directors to whom he/she has granted powers for this effect, or, if no such grant exists, by a sitting member of the Board of Directors appointed by the other members to assume such functions.</p> <p>§1 In the event of vacancy of any position of Board Member, a new member shall be elected by the General Meeting of Stockholders, whose period of office shall continue until the end of the unified period of office of the other Board Members. For the purposes of this Clause, vacancy takes place when there is dismissal, removal, death, resignation, proven impediment, invalidity or unjustified absence for more than 30 (thirty) consecutive days.</p>		
<p>Clause 18. The Board of Directors shall meet, ordinarily, 4 (four) times a year, and, extraordinarily, whenever called by the Chairman or by the Vice-chairman or by decision of the majority of its members, or by request of the Executive Board. To be valid, the convocation must be made with at least 5 (five) days' prior notice, such notice to indicate the</p>		

Current text	Suggested text	Justification:
<p>date and the time of the meeting and the subjects on the agenda.</p> <p>§1 Convocation is dispensed with if all the members of the Board are present at the meeting.</p> <p>§2 The Board Members may be called by letter using Advice of Receipt service, or by fax, or by e-mail.</p>		
<p>Clause 19. Meetings of the Board of Directors are chaired by its Chairman, or, in the Chairman's absence, by its Vice-chairman (or, in the latter's absence, by another member appointed by the majority vote of the other members). Meetings are opened with the presence of a majority of the sitting members. In the meetings, the Board Member may be represented by another member to whom he has granted powers for that effect, and such member may send his vote in writing, including by facsimile or e-mail.</p> <p>§1 The Meetings of the Board of Directors shall be held at the head office of the Company or in the Company's administrative unit in the city of Farroupilha, in the State of Rio Grande do Sul, or at any other location, to be advised by the Chairman of the Board of Directors, or, in his absence by the Vice-chairman of the Board of Directors, or in the latter's absence, by the majority of the members of the Board of Directors, with the same period of prior notice required for convocation of meetings of the Board of Directors.</p> <p>§2 Exceptionally, members of the Board may take part in meetings by telephone conference call or video conference call, provided that such possibility has been indicated in the announcement of the respective convocation. In this case, the minutes shall be transmitted by fax or e-mail to such Board Members as participate by this method, and such communication shall be re-transmitted to the Company after being signed by the Board Member in question.</p>		
<p>Clause 20. Each Board Member has the right to one vote in the meetings of the Board of Directors, whether in person or represented by one of his peers, upon presentation of a power of attorney that is specific for the meeting in question, including the vote of the absent member of the Board and his respective justification. Votes of members of the Board of Directors that have been sent in writing, prior to the meeting of the Board of Directors, shall be considered valid. Decisions of the meeting shall be valid if they have votes in favor by the majority of the Board members present at the meeting. Decisions must be recorded in minutes and registered in the Book of Minutes of the Meetings of the Board of Directors and, whenever they contain decisions the purpose of which is to produce effects on third parties, summaries of those minutes must be filed in the competent Commercial Registry and be published.</p>		
<p>Clause 21. The following are competencies of the Board of Directors:</p> <p>a. To elect, and to dismiss, the members of the Executive Board and to set their attributions, including the Investor Relations Director.</p>		

Current text	Suggested text	Justification:
<p>b. To approve the internal regulations of the Company, if any.</p> <p>c. To set the general orientation of the business of the Company and of any company controlled by the Company ("<u>Subsidiary</u>");</p> <p>d. To approve a Business Plan for the Company and its Subsidiaries and any capital investment and, as the case may be, any investment or capital expenditure that is not included in such Plan.</p> <p>e. To monitor and inspect the management by the Chief Officers, examining, at any time, the minutes, books and papers of the Company and of its Subsidiaries, requesting information on contracts entered into, or in the process of being entered into, and any other acts.</p> <p>f. To call the General Meeting of Stockholders, in accordance with Clause 9 above, whenever necessary, or whenever required by law, and in accordance with these Bylaws.</p> <p>g. To make statement of opinion on the report of management and the accounts presented by the Executive Board and the annual and/or interim financial statements and to propose application of the net profit for each year.</p> <p>h. To decide on the issuance of shares or warrants within the limit of the authorized capital.</p> <p>i. To authorize acquisition by the Company of shares issued by the Company to be held in treasury and/or for subsequent disposal.</p> <p>j. To decide on issuance of debentures not convertible into shares and without real guarantee, and of promissory notes for public distribution in the terms of CVM Instruction 134.</p> <p>k. To appoint and dismiss the Company's external auditors.</p> <p>l. To authorize the raising of any loans or financings, by the Company or by any Subsidiary, the amounts of which, when considered jointly with all such amounts over the period of 3 (three) months prior to the transaction, result in an aggregate amount greater than R\$ 300,000,000.00 (three hundred million Reais).</p> <p>m. To authorize disposal of, or placement of a lien or charge upon, any of the permanent assets of the Company or of any Subsidiary, the amount of which, when considered jointly with all such amounts over the period of 3 (three) months prior to the transaction, results in an aggregate amount greater than R\$ 360,000,000.00 (three hundred sixty million Reais).</p> <p>n. To authorize the provision of real or personal guarantees of any nature by the Company or by any Subsidiary the amounts of which, when considered jointly with all such amounts over the period of 3 (three) months prior to the transaction, result in an aggregate amount greater than R\$ 360,000,000.00 (three hundred sixty million Reais).</p> <p>o. To authorize carrying out of acts that result in waiver of rights by the Company or by any subsidiary the amounts of which, when considered</p>		

Current text	Suggested text	Justification:
<p>jointly with all such amounts over the period of 3 (three) months prior to the transaction, result in an aggregate amount greater than R\$ 45,000,000.00 (forty five million Reais).</p> <p>p. To set the general conditions of, and to authorize the Company to enter into, contracts of any nature between the Company and any Subsidiary or Affiliated company or its managers or controlling stockholders, or between the Company and any company controlled by or affiliated with the managers or the controlling stockholders, and also with any other companies which are, by law or <i>de facto</i>, part of a single group with any such parties, when the individual values of any such contracts amount, individually or jointly, over a period of one year, to 1% or more of the Company's stockholders' equity.</p> <p>q. To make statement of position on such subjects as the Executive Board presents to it for its consideration or to be submitted to the General Meeting of Stockholders.</p> <p>r. To decide on the suspension of the activities of Company or of any subsidiary.</p> <p>s. To take upon itself, at any time, examination of any subject relating to the business of the Company and its Subsidiaries that is not in the sphere of private competence of the General Meeting of Stockholders.</p> <p>t. To decide the list of three companies specialized in economic valuation of companies, for the preparation of the Valuation Opinion on the Company's shares, in the event of cancellation of the Company's registry with the CVM, or its leaving the Novo Mercado.</p> <p>u. To approve the contracting of the depository institution to provide the book-entry share services.</p> <p>v. To state a position in favor of or contrary to any public offer for acquisition of shares issued by the Company, through a prior Opinion Statement, expressed with grounds, which must be published no later than 15 (fifteen) days after publication of the announcement of the public offer for acquisition of shares, and such Opinion Statement must deal with at least the following subjects: (i) whether the public offer for acquisition of shares is convenient and opportune in relation to the interests of the stockholders as a group and in relation to the liquidity of the securities they hold; (ii) the repercussions of the public offer for acquisition of shares on the interests of the Company; (iii) the strategic plans published by the offering party in relation to the Company; (iv) any other points that the Board of Directors considers to be relevant, and the information required by the applicable rules established by the CVM.</p> <p>§1 The amounts mentioned in items "l", "m", "n" and "o" above shall be adjusted annually as from April 7, 2014, by the IGP-M index of the Getúlio Vargas Foundation or such index as may in the future substitute it.</p>		
<p style="text-align: center;">Section III</p> <p style="text-align: center;">The Executive Board</p>		

Current text	Suggested text	Justification:
<p>Clause 22. The daily management of the company is the responsibility of the Executive Board, and its members, the Chief Officers, have full powers to manage its business, in accordance with their attributions and subject to the provisions established in law, in these Bylaws and in the Company's internal regulations, if any.</p>		
<p>Clause 23. The Executive Board shall have at least three and a maximum of four sitting members, who may be stockholders, and are resident in Brazil. It shall have a Chief Executive Officer, a Deputy Chief Executive Officer, a Chief Administrative and Financial Officer and a Chief Investor Relations Officer. Any member may hold more than one position. The other members shall have the designation attributed to them by the Board of Directors. The following are the competencies that are specific to the Chief Executive Officer (and, in the latter's absence, the Deputy Chief Executive Officer):</p> <p>a. To chair the meetings of the Executive Board.</p> <p>b. To coordinate the activities of the other members of the Executive Board.</p> <p>c. To act at all times in favor of execution of the decisions of the General Meeting of Stockholders, the Board of Directors and the Executive Board.</p>		d.
<p>Clause 24. The period of office of the members of the Executive Board is 3 (three) years, re-election being permitted. In addition to the provisions of Clause 13, the members of the Executive Board take office in their appointments upon signature of the undertaking written in the specific book for the purpose or through their presence at, and signature in the record book of the Minutes of the Meeting of, the Board of Directors by which they were elected, and also signature of the Managers' Term of Consent referred to by the Novo Mercado Regulations. No management guarantee is required.</p> <p>§1 The members of the Executive Board remain in their positions until their substitutes take office, unless otherwise decided by the Board of Directors.</p>		
<p>Clause 25. In the event of absence or temporary impediment of the Chief Executive Officer, his functions shall be carried out by the Deputy Chief Executive Officer. In the absence or temporary impediment of the Deputy Chief Executive Officer, or of any other Director, that person's functions shall be exercised by the Chief Executive Officer.</p> <p>§1 In the event of vacancy of any Chief Officer position, a new member shall be elected by the next meeting of the Board of Directors, which shall take place within a maximum period of ninety days after such vacancy. For the purposes of this Clause, a vacancy occurs when there is dismissal, removal, death, resignation, proven impediment, invalidity or unjustified absence for more than 30 (thirty) consecutive days.</p>		
<p>Clause 26. Except as provided in Clause 27, active and passive representation of the Company, in Court or otherwise, shall be exercised individually by the Chief Executive Officer or by the Deputy Chief Executive Officer or (a) by 2 (two) Directors</p>		

Current text	Suggested text	Justification:
<p>jointly, (b) by one Director jointly with a person holding a power of attorney with special and specific powers, or (c) by two persons holding powers of attorney with such powers. Powers of attorney granted by the Company shall be signed individually by the Chief Executive Officer or by the Deputy Chief Executive Officer, or by 2 (two) Directors jointly, or by one Chief Officer jointly with a person holding power of attorney, and shall contain specific powers and period of validity not greater than 2 (two) years (except in the case of a grant of such powers <i>ad judicium et extra</i> as the Executive Board may from time to time authorize).</p>		
<p>Clause 27. Without prejudice to the provisions of Clause 26, the Company may be represented by 1 (one) Chief Officer or, further, by 1 (one) person holding a power of attorney with specific and special powers, including for grant of power of attorney, in the terms of Clause 26 above, acting in isolation, in the following circumstances:</p> <p>a. In routine matters before federal, state and municipal public bodies, State authorities and mixed public-private sector companies, including but not limited to the following: the National Social Security Institute (INSS), the Workers' Time of Service Guarantee Fund (FGTS) administered by the Federal Savings Bank (CEF), the Federal Tax Revenue Department, including Inspectors' Offices, Federal Revenue Department Delegations and Agencies, State and/or Municipal Tax Authorities, State Commercial Boards, the National Industrial Property Institute, the Brazilian Central Bank, Secex, Banco do Brasil S.A., the Securities Commission (CVM), Ibama or other environmental bodies, the Civil Aviation Department (DAC) and Infraero, securities and commodities exchanges, Sudene/Adene, Sudam/Adam, state banks, development banks, and lending and investment financial institutions.</p> <p>b. In collection and receipt of credits in favor of the Company.</p> <p>c. In signature of correspondence on routine matters.</p> <p>d. In representation of the Company in General Meetings of Stockholders of its Subsidiaries.</p>		
<p>Clause 28. It is a competency of the Executive Board to decide on all such matters as are not in the specific competency of the General Meeting of Stockholders or the competency of the Board of Directors. The Executive Board shall meet, at least, once every three months, or whenever called by any of the Chief Officers. The minutes of the meetings must be in written in the Book of Minutes of Meetings of the Executive Board. The presence of the majority of the members constitutes a quorum for the meetings to be in session. Each member of the Executive Board has the right to one vote in the meetings. The decisions of the Executive Board are valid if they have votes in favor by the majority of the members present. If there is a tie, the Chief Executive Officer, or in his absence, the Deputy Chief Executive Officer, shall have the casting vote.</p> <p>§1 It is the competency of the Board of Directors to enter into and carry out transactions and contracts, to contract obligations, and to carry out the acts specified in sub-items "l", "m", "n", and "o" of Clause</p>		

Current text	Suggested text	Justification:
<p>21 of these Bylaws, up to the limit of amounts therein established, with the exception of the provisions in the sole sub-paragraph of Clause 21 above.</p>		
<p>Clause 29. Any act carried out by any member of the Board of Directors, member of the Executive Board, person holding a power of attorney or employee, that constitutes business extraneous to the Company's Objects, including in such definition the giving of a guarantee, surety, endorsement or any guarantee not related to the Objects, or contrary to the provisions of these Bylaws, is expressly forbidden, and is null and without effect in relation to the Company.</p>		
<p style="text-align: center;">CHAPTER V</p> <p style="text-align: center;">The Fiscal Council</p> <p>Clause 30. The Company's Fiscal Council, with the attributions and powers that the law confers upon it, comprises 3 (three) sitting members and an equal number of substitute members, who may be stockholders, elected by the General Meeting of Stockholders, from among persons resident in Brazil, provided that they meet the legal requirements for the position.</p> <p>§1 The Fiscal Council functions in a non-permanent manner, being brought into being only when the General Meeting of Stockholders so decides, in obedience at all times to the provisions of Law and these Bylaws.</p> <p>§2 The Fiscal Council elects its Chairman in the first Meeting and functions in accordance with the internal regulations approved by the General Meeting of Stockholders that decides on its installation, if any.</p> <p>§3 The decisions of the Fiscal Council are taken at all times by absolute majority of votes and shall be written, in the form of Minutes, in the specific book for the purpose, and signed by all those present.</p> <p>§4 The General Meeting of Stockholders shall set the fees of the Fiscal Council, when functioning, subject always to the provisions of Law.</p> <p>§5 Members of the Fiscal Council may take office only after signing the Term of Consent by Members of the Fiscal Council referred to in the Novo Mercado Regulations, and complying with the applicable requirements of law.</p>		
<p style="text-align: center;">CHAPTER VI</p> <p style="text-align: center;">The business year, distribution of profit and reserves</p> <p>Clause 31. The Company's business year begins on January 1 and ends on December 31 of each year. At the end of each business year, the financial statements for the business year that is ending shall be prepared, to be presented to the Board of Directors and the General Meeting of Stockholders.</p>		
<p>Clause 32 - The shareholders are entitled to an annual obligatory dividend equal to at 25% (twenty five per cent) of the net profit for the year, less or augmented by the following amounts:</p>		

Current text	Suggested text	Justification:
<p>a. 5% (five percent) to constitute the legal reserve, until this reserve reaches the limit set by law; and</p> <p>b. an amount allocated for formation of reserves for contingencies, and reversals of any such reserves that may have been formed in previous business years in the manner specified in Article 195 of the Brazilian Corporate Law.</p> <p>§1 Payment of the dividend referred to by this Clause is limited to the amount of the net profit for the business year that has been realized, and the difference is recorded as a Future Earnings Reserve in the form specified in Article 197 of the Brazilian Corporate Law. The profits recorded in the Future Earnings Reserve, when realized, if they have not been absorbed by losses in subsequent business years, shall be added to the first dividend declared after their realization.</p> <p>§2 The General Meeting of Stockholders may, upon proposal from the Management Bodies, allocate a portion of the net profit for constitution and/or maintenance of a profits reserve arising under the By-laws, named the "Share Acquisition Reserve", the purpose of which shall be redemption, repurchase or acquisition of shares issued by the Company, for purposes that may include compliance with its obligations to deliver shares to participants exercising their options under the Company's Stock Options Plan, as approved by the Company. The Share Acquisition Reserve may be formed from up to 100% of the net profit that remains after the deductions made by obligation of law and the By-laws, and its balance shall be equal to a maximum of 20% of the Company's registered share capital. At the end of the business year, any remaining balance not used in this reserve may be used, for the same purpose, for the following business year if management decides this to be necessary, upon approval by the General Meeting of Stockholders and, if not used wholly or in part, such balance shall revert for payment of dividends. In the form specified in Article 198 of the Brazilian Corporate Law, allocation of profits for constitution of the Reserve for Acquisition of Shares may not be approved insurance such a way as to prejudice distribution of the obligatory dividend.</p> <p>§3 Allocation of the remaining profits shall be such as is approved by the General Meeting of Stockholders, in accordance with the proposal made by the Executive Board, subject to compliance with the applicable provisions of law, notably Article 202, §6, of Law 6404/76.</p>		
<p>Clause 33. By decision of the Executive Board, the Company may pay to its stockholders Interest on Equity, which shall be imputed against the obligatory dividend referred to in Clause 32, becoming, for all purposes, part of the amount of the dividends distributed by the Company.</p> <p>§1 By decision of the Board of Directors, the Company may pay its stockholders dividends on account of retained earnings from previous years.</p>		
<p>Clause 34. The Company may raise balance sheets at six-monthly, or quarterly, intervals, or more frequently, and may declare, by decision of the Board of Directors, dividends based on the profit ascertained in these financial statements, on account of the total to be distributed at the end of the respective business year, subject to the</p>		

Current text	Suggested text	Justification:
<p>limitations specified by law. Dividends thus declared constitute advances against the obligatory dividend referred to in Clause 32.</p> <p>§1 Dividends do not attract interest and if not claimed by any stockholder within a period of three years from the date of the decision for their distribution will revert in favor of the Company.</p>		
<p>Clause 35 – The General Meeting of Stockholders may, upon proposal by the Management Bodies, allocate to the Tax Incentive Reserve, in accordance with Article 195-A of Law 6404/76, as amended by Law 11638/2007, the portion of net profit arising from government donations or subsidies for investments, which may be excluded from the base of calculation of the obligatory dividend.</p>		
<p style="text-align: center;">CHAPTER VII</p> <p style="text-align: center;">Disposal of control</p> <p>Clause 36. Disposal of shares that give one stockholder, or a group of stockholders which are linked by any type of voting agreement, whether directly or through subsidiaries, holding companies or companies under joint control, or between which there is a relationship of control or which are under joint control, the effective power to direct the company's activities and orient the functioning of the Company's bodies, directly or indirectly, in fact or in law, independently of the actual stockholding interest owned ("Power of Control"), either by means of a single transaction or by means of successive transactions, shall be contracted on the suspensive or cancelling condition that the acquiring party undertakes to make a public offer to acquire the shares of the other stockholders of the Company, complying with the conditions and period specified in the legislation from time to time in force and in the Novo Mercado Regulations, in such a way as to ensure that they receive equal treatment to that given to the disposing party.</p> <p>§1 There is a relative presumption of ownership of the Power of Control in relation to the person or group of stockholders that holds shares which have secured for it the absolute majority of the votes of stockholders present in the three most recent prior General Meetings of Stockholders of the Company, even if it is not holder of shares representing the absolute majority of the Company's voting stock.</p>		
<p>Clause 37. The public offering for acquisition of shares referred to by the head paragraph of Clause 36 shall also be required when there is assignment, for consideration, of rights to subscribe shares or other securities or rights relating to securities convertible into shares, such as may result in disposal of shares that ensure the Power of Control of the Company.</p>		
<p>Clause 38. The public offer for acquisition of shares referred to in Clause 36 will also be required in the event of disposal of the Power of Control over a company or companies that hold/s the Power of Control over the Company. In this case, the stockholder disposing of the Power of Control of the company or companies shall be obliged to declare to the BM&FBOVSPA the value attributed to the</p>		

Current text	Suggested text	Justification:
<p>Company in this disposal, and attach documentation that proves this amount.</p>		
<p>Clause 39. Any party that acquires the Power of Control of the Company by reason of a private contract to purchase shares entered into with the stockholder or group of stockholders that represents the Power of Control of the Company, shall be obliged to:</p> <p>a. Make the public offer referred to in the head paragraph of Clause 36; and</p> <p>b. Pay, in the terms set out below, an amount equivalent to the difference between the price of the public offer and the amount paid per share in any acquisition on a securities exchange in the six months prior to the date of acquisition of such shares as ensure for it the Power of Control over the Company, duly updated until the date of payment. This amount shall be distributed between all the parties that sold shares in the Company in the trading sessions in which the Acquiring Party made the acquisitions, in proportion to the net daily vendor balance of each one, it being for the BM&FBOVESPA to effect the operation of this distribution, in accordance with its regulations.</p>		
<p style="text-align: center;">CHAPTER VIII</p> <p style="text-align: center;">Cancellation of registry for listing</p> <p>Clause 40. Without prejudice to the provisions of law and regulations, cancellation of the Company's registry for listing shall be preceded by a public offer to acquire shares, to be made by the stockholder holding the Power of Control ("the Offering Party") having as obligatory minimum price the economic value ascertained in a Valuation Opinion.</p>		
<p>Clause 41. The Valuation Opinion shall be prepared by a specialized company or institution with proven experience and independence in relation to the power of decision of the Company, its managers and/or stockholder or group of stockholders holding the Power of Control, and shall also satisfy the requirements of Paragraph 1 of Clause 8 of Law 6404/76, and contain a statement of the responsibility and liability referred to in Paragraph 6 of that Clause.</p> <p>§1 The choice of the specialized institution or company responsible for determination of the economic value of the Company is a specific competence of the General Meeting of Stockholders, subsequent to presentation, by the Board of Directors, of a list of three potential suppliers, and the respective decision, not taking into account blank votes, shall be taken by absolute majority of votes of the shares in circulation present at that General Meeting of Stockholders, which if installed on first convocation shall be attended by stockholders representing at least 20% (twenty per cent) of the total of the shares in circulation, or if installed on second convocation, may have attendance by any number of stockholders representing shares in circulation.</p> <p>§2 For the purposes of the provisions of the first paragraph, shares in circulation are considered to be all the shares issued by the Company, except:</p>		

Current text	Suggested text	Justification:
<p>a. those held by the stockholder who holds the Power of Control, or by parties related to that stockholder; and</p> <p>b. those held by Managers of the Company.</p> <p>§3 The costs incurred in the preparation of the Opinion shall be borne by the Offering Party.</p>		
<p>Clause 42. When announcement is made of a decision to cancel the Company's registry for listing, the Offering Party must publicize the maximum value per share for which it will make the public offer. The public offer shall be conditional on the value ascertained in the Valuation Opinion not being higher than the amount published by the Offering Party. If the economic value of the shares, ascertained in accordance with Clauses 40 and 41, is higher than the amount informed by the Offering Party, the decision to proceed with cancellation of the Company's registry for listing shall automatically be revoked, unless the Offering Party expressly agrees to formulate the public offering at the economic value, and the Offering Party must publish to the market such decision as it has adopted.</p>		
<p>Clause 43. The Company shall not register:</p> <p>a. Any transfer of shares to the Party Acquiring the Power of Control, or to such person or persons as come to hold the Power of Control, as long as they do not sign the Term of Consent by Controlling Stockholders referred to by the Novo Mercado Regulations.</p> <p>b. Any stockholders' agreement that governs the exercise of the Power of Control, unless its signatories have signed the Term of Consent by Controlling Stockholders.</p>		
<p style="text-align: center;">CHAPTER IX</p> <p style="text-align: center;">Leaving the <i>Novo Mercado</i></p> <p>Clause 44. The Company's leaving the Novo Mercado must be approved by a General Meeting of Stockholders, except in cases of leaving due to cancellation of registry for listing, and thirty days' prior notice of it must be given in writing to the BM&FBOVESPA.</p> <p>§1 If the Company leaves the Novo Mercado, the stockholder or group of stockholders having the Power of Control must make a public offering for acquisition of shares belonging to the other stockholders of the Company, at least for the Economic Value ascertained in accordance with Chapter VIII of these Bylaws, subject to the applicable rules of law and regulations, (1) whether such leaving is for the purpose that its securities should be registered for trading outside the Novo Mercado, or (2) whether it is due to a stockholding reorganization in which the company's securities resulting from such reorganization are not admitted for trading on the Novo Mercado within 120 (one hundred and twenty) calendar days from the date of the General Meeting of Stockholders which approved the said transaction.</p>		
<p>Clause 45. Any disposal of the Power of Control of the Company that takes place within 12 (twelve)</p>		

Current text	Suggested text	Justification:
<p>months subsequent to its leaving the Novo Mercado shall oblige the disposing stockholder holding the Power of Control, jointly and severally with the acquiring party, to offer to the other stockholders acquisition of their shares for the price and on the conditions obtained by such disposing stockholder in the disposal of its own shares, duly updated in accordance with the legislation from time to time in force, obeying the same rules applicable to disposals of control specified in Chapter VII of these Bylaws.</p> <p>§1 If the price obtained by such disposing stockholder in the disposal referred to in the head paragraph of this Clause is higher than the value of the public offers carried out in accordance with the other provisions specified in these Bylaws and in the Regulations of the Novo Mercado, duly updated in accordance with the legislation from time to time in force, jointly and severally such stockholder and the acquiring party shall be obliged to pay the difference of value ascertained to the parties accepting the respective public offer, on the same conditions specified in the head paragraph of this Clause.</p> <p>§2 The Company and such disposing stockholder are obliged to register in the Company's Share Registry Book, in relation to the shares owned by such stockholder, a charge that obliges the purchaser of those shares to offer to the other stockholders of the Company price and conditions of payment identical to those that are paid to such stockholder, in the event of disposal, in the form specified in the head paragraph and the first sub-paragraph of this Clause.</p>		
<p>Clause 46. In the event of there being no single Controlling Stockholder, if a decision is made that the Company shall leave the Novo Mercado so that the securities issued by it shall be registered for trading outside the Novo Mercado, or as a result of a transaction in a stockholding reorganization, in which the company resulting from such reorganization does not have its securities admitted for listing on the Novo Mercado within 120 (one hundred and twenty) calendar days from the date of the General Meeting of Stockholders which approved the said transaction, leaving the Novo Mercado shall be conditional upon a public offer for acquisition of shares being made, on the same conditions specified in Clause 44 above.</p> <p>§1 The said General Meeting of Stockholders shall decide the party(ies) to be responsible for the carrying out the public offer for acquisition of shares, and such party or parties must be present at the General Meeting and expressly assume the obligation to carry out the offer.</p> <p>§2 In the absence of a clear decision on what party(ies) shall be responsible for making the public offer for acquisition of shares, in the case of a transaction that is part of a stockholding reorganization, in which the company resulting from such reorganization does not have its securities admitted for trading on the Novo Mercado, then those stockholders who voted in favor of the stockholding reorganization shall make the said offer.</p>		
<p>Clause 47. If the Company leaves the Novo Mercado due to non-compliance with the obligations contained in the Novo Mercado Regulations, this</p>		

Current text	Suggested text	Justification:
<p>shall be conditional upon a public offer being made for acquisition of shares, at least for the Economic Value of the shares, to be ascertained in a Valuation Opinion as referred to by Article 41 of these Bylaws, subject to the applicable legal rules and regulations.</p> <p>§1 The public offer for acquisition of shares referred to in the head paragraph of this Clause shall be made by the Controlling Stockholder.</p> <p>§2 In the event that there is not a Controlling Stockholder and that the Company's leaving of the Novo Mercado referred to in the head paragraph arises from a decision by the General Meeting of Stockholders, those stockholders who voted in favor of the decision that resulted in the said non-compliance shall make the public offer for acquisition of shares specified in the head paragraph.</p> <p>§3 In the event that there is no Controlling Stockholder and that the leaving of the Novo Mercado referred to in the head paragraph takes place by reason of an act by, or an event caused by, the Management, the Board of Directors of the Company shall call a General Meeting of Stockholders the agenda of which shall be decision on how to cure the non-compliance with the obligations contained in the Novo Mercado Regulations or, as the case may be, to decide that the Company shall leave the Novo Mercado.</p> <p>§4 If the General Meeting of Stockholders referred to in Paragraph 3 above decides that the Company shall leave the Novo Mercado, such General Meeting of Stockholders shall define the party(ies) responsible for making the public offer for acquisition of shares specified in the head paragraph, and such party or parties must be present at the Meeting and must expressly assume the obligation to make the offer.</p>		
<p style="text-align: center;">CHAPTER X</p> <p style="text-align: center;">Liquidation</p> <p>Clause 48. The Company may not be dissolved or go into liquidation, other than in the cases specified in law, and it is the competence of the General Meeting of Stockholders to establish the manner of liquidation and to elect, as well as the liquidator(s), the members of the Fiscal Council, which shall function in the period of liquidation, setting their powers and remuneration.</p>		
<p style="text-align: center;">CHAPTER XI</p> <p style="text-align: center;">Arbitration Court</p> <p>Clause 49. The Company, its Stockholders, Managers, Members of its Board of Directors, and Members of the Fiscal Council undertake to solve through arbitration, conducted in the Market Arbitration Chamber, all and any dispute or controversy that may arise between them related to or arising from, especially, the application, validity, efficacy, interpretation, or violation, or effects thereof, of the provisions contained in the Corporate Law and the Company's Bylaws, the rules issued by the National Monetary Council, the Brazilian Central Bank and/or the CVM, the other rules applicable to the functioning of the capital markets in general, and those contained in the Novo Mercado Regulations,</p>		

Current text	Suggested text	Justification:
<p>the Arbitration Regulations, the Sanctions Regulations and the Novo Mercado participation agreement.</p>		
<p>CHAPTER XII</p> <p>General provisions</p> <p>Clause 50. The Company shall obey such Stockholders' Agreements as are registered in accordance with Clause 118 of Law 6404/76, and the management shall abstain from registering any transfer of shares contrary to the terms thereof, and the Chairman of the General Meetings of Stockholders and the meetings of the Board of Directors shall abstain from counting any votes given that infringe the provisions of the said agreements.</p>		
<p>Clause 51. Cases of omissions in these Bylaws shall be resolved by the General Meeting of Stockholders, and regulated in accordance with the provisions of the Corporate Law and the Novo Mercado Regulations.</p>		